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ADMINISTRATIVE REFORMS COMMISSION

REPORT OF THE STUDY TEAM

ON

**CENTRE-STATE
RELATIONSHIPS**

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LETTER OF TRANSMITTAL

NEW DELHI,

Dated the 9th of October, 1967

Dear Shri Hanumanthaiya,

I forward with this letter the report of our Study Team on "Centre-State Relationships".

2. Shri R. Gupta, Member, could not attend the final meeting of the team and sign the report as he was taken ill at the last moment. He has, however, intimated by letter his complete approval to the report, the draft of which was seen by him before the concluding meeting.

3. Our report necessarily traverses a wide area although it is only a part of the entire area covered by the Commission's terms of reference. The Commission's report to Government, based on our present report, will, in the normal course, undergo segmented examination by a number of agencies both in the central and the state governments. Considering that such an effort will consume a great deal of time and will not ensure an integrated view of the report, we have made a suggestion towards the end of our report regarding the manner in which the report may be processed. Specifically we have recommended that the report may be considered by an Inter-State Council, the establishment of which we have recommended in Chapter XIX. Because of its role in the processing of this report, we feel that a decision on our recommendation concerning this Council should be taken first. You might like to bear this in mind while forwarding the Commission's own report on the subject.

4. I would like to take this opportunity of expressing our appreciation of the work done by the officers of the Department of Administrative Reforms who provided us with our secretariat. They worked like a team and did not grudge the long hours they had to put in. Our thanks are due to Sarvashri Mohinder Singh, Surinder Singh, Malu Ram, O. P. Khanna, Kumari Prakash Mallick, steno-typists and H. B. Khurana, stenographer; to Sarvashri D. S. Dham, J. K. Kalra, Bhajan Singh, Investigators; to Sarvashri P.C.

Dhir, P. N. Anantaraman, K. P. Nair, V. D. Seth, A. S. Ayyar, Research Assistants (the last named taking on himself a considerable load of administrative work in addition to his normal duties as Research Assistant); to Shri N. S. Sankaran, Section Officer; to Analysts I. C. Bhatia, C. W. Mirchandani, K. V. Mahalingam, B. K. Dey and, in particular, B. M. Rao of whose thorough and painstaking work I would like to make a special mention; to Shri Harbans Singh, Under Secretary and to Shri P. K. Kathpalia, Deputy Secretary who ably supervised and co-ordinated the work of this group.

Yours sincerely,
M. C. SETALVAD
Chairman,
Study Team

Shri K. Hanumanthaiya, M.P.,
 Chairman,
 Administrative Reforms Commission,
 New Delhi.

TABLE OF CONTENTS

INTRODUCTION	1
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SECTION I—Financial Relations between the Union and the States

I	THE PROBLEM IN OUTLINE	16
✓ II	DEVOLUTIONS	23
III	LOANS AND INDEBTEDNESS	45
IV	NON-STATUTORY NON-PLAN GRANTS	71

Section II—Centre-State Relationships in the Sphere of Planning and Development

V	PROBLEMS AND APPROACH	91
VI	PLANNING AND THE NATIONAL DEVELOPMENT COUNCIL	100
✓ VII	CENTRAL ASSISTANCE FOR ADMINISTERING PLANS IN STATES	108
✓ VIII	THE CENTRALLY SPONSORED SECTOR	121
IX	THE FORMULATION OF PLANS AND THE SCRUTINY OF SCHEMES	131
X	EVALUATION	147
XI	THE ROLE OF CENTRAL AGENCIES DEALING WITH MATTERS IN THE STATE AND CONCURRENT LISTS	156

Section III—Centre-State Relationships in Spheres other than Planning and Development

XII	STATEMENT OF THE PROBLEM	169
XIII	HIGH COURT JUDGES	181
XIV	PUBLIC SERVICE COMMISSIONS	196
XV	THE CONDUCT OF ELECTIONS	209
XVI	INTER-STATE WATER DISPUTES	222
XVII	THE ALL-INDIA SERVICES	237
XVIII	THE GOVERNOR	272
XIX	AN INTER-STATE COUNCIL	294
XX	IMPLEMENTING THE REPORT	306
XXI	THE SCOPE AND METHOD OF WORK	310

APPENDICES—VOLUME II

SPECIAL APPENDIX—VOLUME III

INTRODUCTION

Relations between the centre and the states range over a wide area. They cover, but are not confined to, the entire field of administration and in fact overstep it into that of politics. Politics and administration are inseparable in the sense that administration is meant to give effect to politically determined programmes and policies. But politics concerns itself also with the pursuit of power, an activity that stretches beyond the legitimate confines of administration. Of late the term "centre-state relationships" has often been used to connote the attitudes, actions and interaction of the parties in power at the centre and in the states. There is, however, a well-defined distinction between party and government and strictly speaking the term denominates relationships between governments and not between parties.

2. Centre-state relationships even in this sense can have a political nexus the nuances of which are not derived from the Constitution. This is an aspect that has assumed an acute form since the last general elections, with the eclipse in several states of the party that rules at the centre. And yet, although the dimensions have changed, the problem, basically one of the relationship of the political leadership at the centre with the political leadership in the states and of its influence on centre-state administrative relations in their widest sense, is not new. It is well to recognise that the political facts of the Indian scene have played a major role in the development of attitudes. Where a single party has control over affairs at the centre as well as in the states an alternative and extra-constitutional channel becomes available for the operation of centre-state relationships. In practice this channel has been very active during Congress Party rule and has governed the tenor of centre-state relationships. The political network connecting central and state leadership was used amply to resolve conflict and ease tension or even to postpone consideration of inconvenient issues. In the process the Constitution was not violated, at least not

deliberately or demonstrably, but was often by-passed. Besides, political rather than administrative considerations determined decisions and the centre's relationship with a particular state depended very much on the personality of its political leaders and their equation with the central leadership. Constitutional provisions went into disuse and disputes were settled in the party rather than aired through open constitutional machinery. Party prestige and party discipline worked out party rather than governmental or constitutional solutions. A strong central leadership made such discipline possible. This discipline was, to an extent, offset by the creation of linguistic states and the gradual dependence of the central ministers on local leaders for political support, thereby shifting the actual centre of power somewhat. Whether dominated by the centre or by the states, or by some of the states, all these factors combined to weave a pattern of centre-state relationships in which the political process came to play a major part.

3. From the constitutional angle the situation was abnormal. As a result of by-passing normal constitutional processes a habit of settling issues through extra-constitutional means grew and sufficient experience and a proper climate for settling them through the regular process were not developed. The emergence of non-Congress governments in the states has accordingly forced the problem to the forefront for the earlier political devices are no longer available. The problem has acquired an edge because of this peculiar background and it can be expected to wear out with time when the polity becomes accustomed to different parties ruling in the centre and the states. The Constitution is clearly meant to be worked even in a multiparty situation which should be seen not as a problem of centre-state relations but as a normal background for their interplay. We are, therefore, not concerned in this report with the immediate political impact created by the return to power of different ruling parties at the centre and in the states. In a few years, as this experience is assimilated, the difficulties presented by its sheer unprecedentedness should be gradually solved by

proper adjustments in responses from the body politic. The federal machinery could then be expected to adapt itself to a changing configuration of parties in power in the different seats of government and to demonstrate that stability which the Constitution was designed to provide and which uni-party rule has provided till lately. Our report has in view a stable situation of this nature in which centre-state relationships will operate more on constitutional than on party lines. Our interest, therefore, is in seeing whether the overall administrative arrangements devised are such as to promote efficiency and national integration. What the political responses actually governing decisions should be is not our concern in this report.

4. The starting point for any examination of centre-state relations, even if its focus is only on administrative reform, must be the character of the constitutional structure within which the interplay of administration and politics takes place. This character is not easy to define. No label describes it perfectly and when, for the sake of convenience, one is applied there is a risk of ascribing to the Constitution characteristics associated with that label which the Constitution may not possess. Thus lawyers and constitutional pundits have debated at length whether India is a "unitary state" or a "federation" or a "quasi-federation". Whatever label one accepts it is important not to endow our polity with false attributes as a result or to infer from it powers for the centre, or for the states, they are not meant to possess.

5. The Indian polity is federal in form but lacks much of the substance of a classical federation. The ingredients of a federation classically are:—

- (i) a compact between independent and sovereign units to surrender partially their authority in their common interest and vest it in a Union;
- (ii) the retention of residual authority with the constituent units;
- (iii) a separate constitution for each constituent unit to govern all matters not surrendered to the Union

- (iv) the supremacy of the Constitution and its consequent immutability except with the concurrence of the component units;
- (v) the distribution of powers of the Union and the units each in its sphere, co-ordinate and independent of the other, the basis being the entrustment of matters of national importance to the Union and of local importance to the units;
- (vi) the supreme authority of the courts to interpret the Constitution and to invalidate action violative of the Constitution, and to resolve conflicts, as provided for in the Constitution, between one unit and another and between a unit and the Union.

In our Constitution only the last named attribute is present in full measure. The first three are completely absent, and of these the absence of the first is of more than mere historical interest for it must dispel all notions of the autonomous sovereignty of the states. The term "sovereignty" presents some difficulties of interpretation and tends to be used with different shades of meaning. Scholars have tried to distinguish between "political sovereignty" and "legal sovereignty". The first is said to vest neither in the centre nor in the states but in the people of the country. What is significant here is that it vests in the people of the country as a whole and not, in any measure, in the people of the individual units. The units had no sovereignty to part with and it would be incorrect to import any such concept now as an appendage to the term "federation".

6. "Legal sovereignty", in the sense of law making power unrestricted by any legal limit, can, in theory, vest only in the Constitution. In practice it can be said to vest in the legislatures created by the Constitution provided there is equality between these legislatures (of the Union and the states) and the powers of each are co-ordinate and independent of the other. But those of the state legislatures are not co-ordinate and independent of Parliament in every respect.

7. The division of powers, which is at the heart of the matter, does indeed make the polity partake of the federal character but the substance of this division dilutes this character in many significant ways. The fact that the Seventh Schedule itself is heavily weighted in favour of the centre need not detract from the idea of the supremacy of the states in the limited sphere left to them. But when restrictions operate even in this limited sphere a rigid concept of autonomy becomes difficult to sustain. Article 249, for instance, empowers Parliament to legislate on any matter in the State List provided the Council of States by a two-thirds majority authorises it to do so. The Council of States does, in a way, represent the opinion of the states, but the important point to note is that the autonomy of individual states is subject, even in the state field, to the collective wishes of the other states. The character of this provision is thus utterly distinguishable from that of Article 252 under which Parliament may legislate for any two or more states with their agreement.

There are next the emergency powers of the centre to be assumed when the security of the country is threatened, when there is a failure of the Constitution in a state or when there is a threat to the financial stability of any state. The Union in such events can function as a unitary state. National peril creates centralisation of authority in all federations but the emergency powers of the Union extend beyond security situations and give an overseeing role to the centre that is incompatible with traditional ideas of federalism.

There are, further, Articles 200 and 201 under which the Governor—a Presidential appointee—may reserve a bill passed by the state legislature for the consideration of the President who may veto it without assigning any reason.

There is finally the extraordinary position that there is nothing permanent or sacrosanct about the identity of the states. Their boundaries can be altered and, indeed, the existence of individual states can be brought to an end by Parliament at will. Units whose political identity can be obliterated by Parliament can hardly be considered sovereign in any

sense of the term. It is true that the powers of a state cannot be altered by this means, but this only stresses the functional role of a unit, not its inherent autonomy.

8. The autonomy implicit in the division of powers, on which basically the federal character of the Union rests, can thus be seen as a functional devolution rather than as a conferment of sovereign rights.

This functional arrangement represents the will of the people and was found necessary as an administrative convenience. A country as large in size and as diverse in population as India could not be governed effectively from a central point and could experience stability only in a governmental system in which local initiative was blended with strong central control. The arrangement had to be built into the Constitution to give it legal force.

9. It is clear that the framers of the Constitution have deliberately given the country a strong centre. In any federation the main task is to reconcile the conflicting claims of national-“sovereignty” and state “sovereignty”, and to harmonize these is the function of a federal constitution. Where exactly the balance is struck varies from federation to federation. In India, the Constitution-makers declared their intention at the very outset that “the Constitution would be federal with a strong Centre” and in their epoch-making work followed this principle with firm consistency. The chief sources of strength for the centre are the wide range of subjects allotted to it for legislative and executive functioning (including residuary matters) and a financial division which gives it sources far more diverse and with a higher potential than those given to the states.

10. The centre has accordingly the duty cast upon it to determine and devolve resources to the states to enable them to meet their obligations. It also has a lending relationship which has consistently added to its dimensions. Since the states are heavily dependent on the centre for finances the latter can and does take a lively and indeed decisive interest in development activities which constitutionally fall within

the states' sphere. In fact, it is through the purse strings and not by resort to any legislation on "economic and social planning", a subject in the Concurrent List, that the centre has chosen to influence development policy in the states.

11. But it is well to remember that, however strong a centre the Constitution may have provided for, the polity is federal and not unitary in structure. It was open to the makers of the Constitution to give India a unitary arrangement. They did not and, subject to certain provisions regarding central intervention—unusual no doubt and therefore to be employed in unusual circumstances—left the states normally with full powers to act in the legislative or executive fields falling within their jurisdiction.

12. It will thus be seen that the makers of the Constitution were not influenced by any doctrinaire ideas about federalism. The Constitution became what it is on pragmatic considerations.

13. Two conclusions follow. First, a functional arrangement of this kind cannot subserve the purposes underlying it unless it becomes an operational reality. Secondly, where the arrangement is a reality but is found to be deficient, it should be possible to consider alterations without being inhibited by any doctrinaire ideas. It is therefore, important to see how far practice has conformed to constitutional provision and purpose, what major deviations have occurred and with what justification, and which of the existing provisions and procedures have proved inadequate.

14. Centre-state relationships cover almost all aspects of administration. They come into play even in areas falling in List I and squarely entrusted to the centre. The problem of the setting up and location of public enterprises, dramatised by the steel plant agitation and the affairs of the Paradeep port, furnishes an instance. So large and complex is the field of administrative action entrusted by the Constitution to the centre and so interdependent are the functioning of the Union and the units that almost any activity will involve a centre-state relationship or an inter-state relationship in which the

centre may be required to act as umpire or broker, as the situation requires. All situations are not provided for by the law or the Constitution and a relationship has to grow, therefore, on the basis of healthy attitudes and a willingness to co-operate.

15. For delimiting the area of study the different facets of centre-state relationships could be classified as follows:—

- (a) legislative relationships
- (b) financial relationships
- (c) administrative relationships, which in turn could be categorized as:
 - (i) relationships in the sphere of planning and development; and
 - (ii) relationships in spheres other than planning and development.

As our enquiry concerned itself with administrative reform and not with basic constitutional and political reform we did not consider it appropriate to include legislative relationships within the scope of this study. One approach to our task could have been to subject the three lists in the Seventh Schedule to a review. That we have not done so is not only because we consider those lists to have been drawn up admirably well but also because this was not our view of our task. We do not consider the time ripe or in any other way appropriate for a general review of this nature. Our interest has been in the other two items, both of which are within our ambit, the second one by specific entrustment under the terms of reference of the Commission and the first—financial relationships—because it cannot be separated from the second.

16. Is it possible to discern an overall approach, in the centre and the states, covering the gamut of centre-state relationships? The answer must be that there is no clear and consciously thought out approach. During the last many years the lines of decision-making have often been political or party, and not governmental or constitutional except in form. Considerations holding sway, therefore, have also been mixed, in which the personal and political was not scrupulously

separated from the official and constitutional. Therefore, no well-understood or well-articulated strategy on centre-state relationship is observable. To the extent, however, that practice gives an indication such an approach has consisted of two main elements:—

- (i) the maximum possible control over the states in the plan world of administration, using the financially stronger position of the centre to impose central thinking (considered synonymous with national thinking); and
- (ii) the minimum possible involvement in the affairs of the states on the non-plan side.

It has been our endeavour to subject this approach to a fresh scrutiny. The relationship between the centre and the states must subserve vital national objectives and interests and the first task must be to identify these. To our mind, and we do not think there can be any serious difference of opinion here, the two objectives requiring stress are to keep the country united and to forge ahead in the field of economic and social development. To what extent has the approach adopted so far helped in attaining these objectives? The country has remained united and has also gone ahead with development with considerable success but it appears to us that the polarization of the two attitudes in this strategy has prevented the right balance from being maintained. A perusal of the report will reveal the weaknesses in the existing strategy. We have been impressed by the need to enable the states to become full, efficient and responsible partners in the task of development. Conversely, the objective of national integration and uniformity of standards of administrative efficiency needs to be secured through measures enabling more purposeful central involvement in selected sectors of administration and we have not hesitated to recommend the establishment of links between the states and the centre where they should exist but do not, or their fortification where they exist but anaemically.

17. Our effort thus has been to suggest measures to correct the existing imbalance in centre-state relations. We

have not in this study taken up questions of substantive policy in individual spheres even though these may involve centre-state relations in an intimate way. Thus issues concerning language or the procurement and distribution of food have been considered inappropriate for study by us. These undoubtedly have a decisive impact on the life of the people and on the tenor of centre-state relationships but it is not for a body enquiring into the need for administrative reforms to go into such substantive questions. To do so would be appropriating the functions of Government.

18. We have proceeded within the basic constitutional framework the rationale of which has not been questioned. To the extent, however, that our study of administrative relationships made the examination of constitutional provisions inevitable we have not hesitated to examine them and to recommend marginal changes, but in the main we have proceeded on the assumption that the basic constitutional fabric must remain intact. We may add that nothing in our enquiry shows the basic fabric to be inadequate for administrative purposes. So perceptively does the Constitution avoid rigidities that it can work successfully irrespective of who holds power, provided those working it mean it to work.

19. For facility of discussion, the report has been divided into three sections which lend themselves to segmented discussion. The first section deals with financial relationships, the second with relationships in the realm of planning and development and the third with relationship in fields other than finance and planning. The scheme of the report broadly is that the first chapter in each section scans the total perspective of that section, identifies the problems therein and indicates the broad approaches for coping with them. The subsequent chapters in that section deal in detail with the specific items identified for discussion in the governing chapter. Thus, the first chapter in each section 'purports to have the breadth of sweep to give the necessary perspective while each chapter following has a detailed discussion of individual items to furnish the necessary depth.

20. Although divided into three sections, the main proposals in this report must be read together. Any section read by itself would be liable to be construed as one-sided, as either encouraging fissiparous tendencies or introducing unitary control. It is only on viewing the perspective and accepting the strategy as a whole that the correct balance can be arrived at.

SECTION I

FINANCIAL RELATIONS BETWEEN THE UNION AND THE STATES

CHAPTER I

THE PROBLEM IN OUTLINE

1.1 The allocation of resources and functions in the Constitution has consistently produced surpluses at the centre and deficits in the states. Exact correspondence of resources and functions is not possible to secure in any federal situation but in India the balance is tilted rather heavily in favour of the centre and the outstanding feature of the financial relationship between the centre and the states consequently is that the former is always the giver and the latter the receivers. The favourable position given to the centre in regard to financial resources reflects the strong-centre theme running through the Constitution and many feel that this has been an important factor in keeping the country united.

1.2 But if national unity had been the only consideration all resources could have been kept at the centre and devolutions made annually to the states according to their needs. That this was not done underlines another principle, namely, that the allocation of independent resources to the states is essential for responsible public administration at the state level. What degree of financial independence is appropriate for this purpose is as much a matter of judgment today as it was when the Constitution was drafted. But today's judgment can have the benefit of a quantitative analysis of the extent of dependence of the states on the centre over the last several years.

1.3 The imbalance between the functions and resources of the states has to an extent been sought to be rectified by the Constitution in a two-fold way. First, certain duties and taxes have to be shared by the centre and the states. Secondly, grants-in-aid are to be given by the centre under Article 275 of the Constitution to such of the states as are in need of assistance. The Constitution provides for an independent Finance Commission to make recommendations to the President in regard to the distribution of shareable taxes and the

payment of grants-in-aid to states. These provisions are designed to ensure that there should be as little central interference in state administration as possible.

1.4 With the advent of planning the devolutions mentioned above have been over-shadowed by the large grants and loans given by the centre to the states on the recommendations of the Planning Commission. The sense of dependence has been heightened by the fact that plan grants are discretionary in character, almost all of them being made under Article 282 of the Constitution. A correct appreciation of the extent to which funds transferred from the centre are helping to finance state expenditure must take account of all channels, disregarding technical distinctions between items where the states receive shares as a matter of right and items where that is not so or between grants and loans.

Extent of
dependence

1.5 A total view of this kind reveals the following facts for three plan periods:

		First Plan	Second Plan	Third Plan
		(Rs. in crores)		
Total expenditure* of states (plan and non-plan)	..	3359	5885	10833
Resources from centre	.. ..	1413	2868	5602
Resources as percentage of expenditure	.. ..	42	49	52
Total state plan expenditure	.. ..	1427	2083	4058
Resources from centre deployed on plan side	.. ..	880	1058	2502
Central assistance as percentage of plan expenditure	..	61.6	50.8	61.5

(*Excluding discharge of debt and repayment of loans).

It will be seen that while the expenditure levels in the states have risen three times financing by funds received from the centre in one way or another has gone up four times. The central component was almost equal to the total plan expenditure of the states in the First Plan period and exceeded it by Rs. 800 crores in the Second and by Rs. 1,600 crores in the Third. The centre could, from this angle, be said to have virtually financed all state plans, and state resources on their

own have not been enough even to meet all non-plan expenditure. There is thus heavy and increasing financial dependence on the centre.

- 1.6 The main reasons for this state of affairs are that Reasons for dependence
- (i) the resources for raising funds available to the states are comparatively inelastic;
 - (ii) the functions allocated to the states are such as lead compulsively to expanding responsibilities, particularly in the context of ambitious development plans; and
 - (iii) important sources for national plan financing are foreign aid and deficit financing, both tending to strengthen central rather than state resources.

1.7 Allied to the problem of heavy financial dependence is that relating to the mechanism of financial devolutions and assistance. The introduction of planning and the consequent increase in public spending widened the gap in the states between needs and resources. Interpreting the figures given in the tables above, nearly three-fifths of the plan expenditure incurred by the states in the first three plans was directly financed by the centre and almost the whole of the rest indirectly through Finance Commission grants and shared taxes. While the latter would be regarded by the states as something they were entitled to as a matter of constitutional right, the former was discretionary with the centre. This discretionary element introduced a centralising tendency the dimensions of which were not envisaged by the Constitution-makers. For bridging the gaps created by the plans a complex system was evolved for the transfer of funds from the centre to the states through the Planning Commission, bypassing the Finance Commission. MECHANISM OF DEVOLUTION

1.8 The Finance Commission has confined itself to assessing non-plan needs, recommending the devolution and distribution of taxes and grants-in-aid to meet gaps in the non-plan budgets of the states. These grants-in-aid (also sometimes referred to as "statutory grants") are given under Article 275. This Article requires that grants-in-aid should be paid to such of the states as are in need of assistance. It gives no indication Restriction of Finance Commission's scope to non-plan needs

as to how and for what purposes such "needs" should be computed. It makes no distinction between plan and non-plan or development and maintenance needs. In theory, therefore, there is nothing to prevent the Finance Commissions from taking into account plan requirements also (in fact the second and the third Commissions attempted this partially), but in practice this responsibility is primarily looked after by the Planning Commission. The Finance Commission has restricted its jurisdiction to an examination of non-plan revenue needs only and following the pattern evolved by Niemeyer under a similar provision in the Government of India Act, 1935, it estimates the revenue gap of each state after taking into account its share of divisible taxes.

1.9 This restriction is not without its own logic. If the Finance Commission were to devolve plan grants it would be necessary for it to know beforehand the size of the central and state plans. But the size of a state plan can be determined in a reasonably accurate manner only after non-plan needs have been estimated and provided for. If the Planning Commission finalises the plan before the Finance Commission decides the devolutions the scheme for plan financing may be upset by the subsequent recommendations of the Finance Commission. If, on the other hand, the Finance Commission assesses plan requirements itself and devolves plan grants without waiting for the Planning Commission's estimates, it will have effectively assumed to itself the responsibility for planning. This a shortlived body like the Finance Commission is not equipped to discharge. If the Planning Commission continues to co-exist in such a situation it will, instead of allocating resources so as to suit a known plan, be forced to adjust the plan itself to fit into a scheme of allocations already accomplished. Both the situations mentioned above are untenable and, realising this, the Finance Commissions have operated with the self-imposed restriction of examining non-plan needs only, leaving plan needs severely alone.

Overlap of
jurisdictions
of Planning
and Finance
Commissions

1.10 The matter does not end there. Although the jurisdiction of the Finance Commission has been limited to revenue expenditure it has not been possible wholly to avoid crossing wires with the Planning Commission. On the plan

side, for arriving at estimates of plan resources, the Planning Commission too scrutinises budgetary needs and *inter alia* assesses the non-plan revenue gap of states. There is thus duplication of work in the two Commissions and, because of their timings and differences in approach, divergence in assessment as well, both of the expenditure and the resources of the states. These inconsistencies at the centre (the Planning Commission and the Finance Commission are part of the central complex) stem from the absence of an integrated approach inherent in the system. Nor is inconsistency the only drawback: there are others more comprehensively listed in the relevant chapter. Had the financial provisions of the Constitution been framed at a time when the Planning Commission was in full operation, it is a matter for conjecture whether the determination of the budgetary needs of the states would have been entrusted to two separate bodies viz. the Finance Commission and the Planning Commission.

1.11 Shortcomings are thus discernible in the existing system. The two major drawbacks are the excessive financial dependence of the states on the centre and the faulty mechanism of devolving funds. A review of the existing system is called for to give the states a position that is self-respecting and at the same time consistent with the strong-centre concept. A treatment of this problem must, therefore, embrace consideration of measures to rationalise the mechanism of devolution, to secure a more equitable distribution of resources between the centre and the states and to streamline the financial arrangements for formulating and implementing plans. The first two aspects are dealt with in this section. Section II takes up the third.

1.12 The massive use of Article 282 for discretionary grants and its scope in relation to that of Article 275 which deals with statutory grants has come in for considerable comment. In financial relations between the centre and the states this Article has come to play a most significant part. The subject of discretionary grants for plan projects is dealt with in Section II. Discretionary grants, however, are given

ARTICLE 282 AND NON-PLAN GRANTS

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in the non-plan sector also and in this section are discussed the general scope of Article 282, its use for non-plan purposes and the principles that should qualify non-plan items for central grants.

THE PROBLEM OF INDEBTEDNESS

1.13 Yet another problem is the massive indebtedness of the states to the centre. The figure of indebtedness has risen from Rs. 239 crores in 1952 to Rs. 4094 crores in 1966. This enormous increase has taken place largely because of increased public spending for development, although unexpected contingencies like famine and other natural calamities have also contributed to the bill. The states are finding it increasingly difficult to repay their debts or even the interest charges in some cases. Most of them do not have revenue surpluses to meet debt obligations from. A system has, therefore, been developed in which the states repay their loans and, in some cases even interest charges, to the centre out of fresh borrowings from the centre. Such repayments constitute an increasingly large part of the total state borrowings from the centre. They rose from 9% of total state loans in the First Plan period to 33% in the Third Plan period, and are expected to be as much as 40% in the Fourth Plan period. As it is improbable that the states will be able to repay these loans from their own revenues in the foreseeable future, the cycle can be expected to continue with an expanding sweep. There is a degree of unreality in the present arrangement which breeds unhealthy attitudes both in the giver and the receiver. And yet, given the magnitude of the borrowings, the cycle seems inevitable. To introduce rationality and realism in the lending-borrowing relationship between the centre and the states a different approach is required.

1.14 How can the burden of loans be lightened? The simple view, taken by the classical economists, is that only programmes which yield direct financial returns should be financed through the public debt. This view would imply that either the remaining development programmes should be financed from the general revenues, for which purpose taxation may have to be increased considerably, or that they

should be curtailed to the extent to which they can be supported by a feasible level of taxation. Neither of these courses is acceptable politically and economically. The role and responsibility of government in social and economic development, recognised even in advanced countries, has a special significance in developing ones. Accordingly, as planning gained momentum in this country the earlier constraints upon the classification of expenditures were substantially relaxed and it is no longer merely revenue-earning schemes that are financed from the capital budget. The capital budget is used also to finance schemes that create physical assets without earning revenue, and, through the mechanism of the miscellaneous development loan, schemes in the revenue budget as well even though they might not create physical assets.

If the earlier constraints were too rigid and no longer tenable the present notions appear to be too loose. Two questions, both interlinked, need investigation here: whether government to government lending is based on realistic principles and whether the principles determining the terms and conditions of advances require a radical change so that borrowing relationships and the borrowing mechanism become simpler and more realistic, more just to the states and yet more clearly relatable to economic considerations.

Unauthorised overdrafts by states on the Reserve Bank of India is an allied problem and, although second in importance to the main problem, merits attention and has been discussed in the relevant chapter.

1.15 The three propositions, together forming a new NEW APP. ROACH TO FINANCIAL RELATIONS approach to centre-state financial relationships, that have thus been examined and developed are that:

- (i) the arrangements for devolution should be such as will allow the states' resources to correspond more nearly to their obligations;
- (ii) the devolutions should be made in a manner that enables an integrated view to be taken of the plan as well as non-plan needs of both the centre and the states;

(iii) the advancement of loans should be related to the productive principle.

ITEMS
DISCUSSED
IN SCE-
TION I

1.16 A chapterwise discussion follows on the following problems:

A—The magnitude and mechanism of devolutions

B—The indebtedness of the states

C—Discretionary non-plan grants.

CHAPTER II

DEVOLUTIONS

2.1 The first chapter brings out the extent of the dependence of the states on financial assistance from the centre. ^{INTRODUC. TORRY} To some extent financial dependence of the states on the centre is desirable as representing a centripetal force. But the magnitude of such dependence makes a qualitative difference. When the extent of dependence goes too far wrong attitudes begin to make an appearance amongst those responsible for financial management in the states as well as at the centre. In the states, excessive dependence on the centre tends to produce irresponsibility and operational inefficiency. At the centre, dominant financial power in relation to the states gives central authorities exaggerated notions of their importance and knowledge and does not allow sufficient place to the points of view of the states. It is important, therefore, that the degree of financial dependence of the states on the centre should be reduced to the minimum, because that minimum would be adequate from the point of view of giving the centre controlling powers in the context of ensuring national integration.

2.2 How the extent of financial dependence should be reduced is the problem we have addressed ourselves to in this chapter. The first thing to consider in this connection is whether some of the sources of revenue at present allotted to the centre could be transferred to the states. This, in fact, would be the only method of reducing dependence as such. But the country being a single economic unit any transference of sources that occurs is, for reasons of administrative convenience, more likely to take place in the opposite direction. Sales tax affords a good illustration, for here is a state tax which, for reasons of economy and efficiency of effort, should perhaps gradually give way to central excise duties. Another method of assisting the states could be the exploitation of the taxes mentioned in Article 269, which are leviable only by and at the discretion of the centre with the proceeds going to

the states. But this would have only a limited impact and may not provide a solution to the problem of dependence on the centre. With these two possibilities ruled out, it would appear that the phenomenon of financial dependence of the states is, in a sense, unavoidable.

2.3 But there is another method of looking at the problem. Financial assistance flows from the centre to the states in the main through two channels. One is the channel of what might be called assured devolutions, where the states are not left in any kind of doubt about what they are going to get and their share goes to them regardless of what they spend it on and how they perform. In this class fall divisible taxes and grants-in-aid under Article 275. One of the features of this sector of assured devolutions is that the amounts are determined on the basis of a semi-judicial adjudgment by the Finance Commission. The other channel is where executive and discretionary factors operate, and while the amounts transferred to the states are large, their actual quantum remains uncertain and subject to year to year fluctuations. Plan grants fall in this category. A valid method of decreasing the dependence of the states on the centre would be to see that the states get more through assured devolutions. This is the approach we have explored in this chapter.

2.4 But before doing so it is necessary to examine the problem of an appropriate mechanism through which all kinds of devolutions to the states should flow. The relevance of examining the mechanism lies in the fact that not unless things are rationalised there can the further question be gone into as to how devolutions could be made more extensive. It has already been mentioned how, in practice, the operation of the Finance Commission has come to be restricted to the non-plan sphere and why overlap occurs between the estimates of the Planning and the Finance Commissions. The drawbacks of the existing system require a detailed discussion so as to make it possible for a recommendation for a more rational arrangement to emerge.

2.5 The five-yearly assessment of the non-plan needs of states as carried out by the Finance Commission suffers

from some basic handicaps:

Handicaps of
Finance
Commission

- (i) as an *ad hoc*, short-lived body the Commission does not have the advantage of a permanent secretariat engaged in a continuous study of central and state budgets and in a systematic collection of statistical data.

In determining the grant-in-aid of revenues of a state the Finance Commission prepares forecasts of revenues and expenditures for each of the years for which it is to make an award. For this purpose the rates of growth for each type of revenue and expenditure are worked out and all factors likely to affect them are taken into account. If the total revenue receipts of the state (inclusive of its share of central taxes and duties) fall short of its revenue expenditure the deficit is made up by recommending a grant-in-aid. In estimating revenue deficits the Finance Commission does try to make its forecasts as factual as possible, but it does not succeed in making satisfactory assessments in regard to

- (a) the tax effort made by a state in relation to its tax potential; and
- (b) the relative performance of states in the matter of economy in current or proposed administrative expenditure consistent with efficiency.

There is limited time at the disposal of the Commission and, because of this limitation, quantitative issues tend to squeeze out qualitative ones in the Commission's examination of budgetary needs. The states find indirect (and unintended) encouragement for the belief that, no matter how poor their tax efforts and how high their levels of expenditure, the non-plan revenue gap will be made good by the Finance Commission;

- (ii) although not debarred by the Constitution from recommending capital as well as plan grants to states it is now an established convention that

the Commission merely determines the non-plan revenue needs of the states, leaving it to the Planning Commission to assess plan requirements;

- (iii) the Finance Commission does not scrutinise the estimates of central revenues and expenditure. As the underlying purpose of its investigations is to discover an optimum allocation of funds between the centre and states, leaving the former out of the scope of its study is a major omission.

Differences
in approach
between
Finance and
Planning
Commissions

2.6 The restriction of the Finance Commission's examination to the non-plan revenue side of state budgets arises chiefly out of a desire to avoid overlap with the Planning Commission. The shortcomings of this arrangement are several:

- (i) there is a marked difference between the basic approaches of the Finance and the Planning Commissions. According to the Finance Commission the broad purpose of devolution is to make larger funds available to the states to meet their expanding responsibilities in the non-plan field, to help them in equalising standards of basic social services and to meet their special obligations. The emphasis of the Finance Commission is on the consolidation of what has been achieved or acquired. The Planning Commission's emphasis on the other hand is on taking the level of development a stage or two further. With its focus on development, the Planning Commission strives constantly for maximum economy in the non-plan field, larger savings in current revenues and higher plan outlays even if it means drastic reductions in non-plan expenditure. There is thus a lack of a unified or integrated approach to the total problem of assessing the needs of the states and the resources required by them;
- (ii) the Finance Commission confines itself to current revenues and expenditure while the Planning Commission deals with the entire range of the

- government's activities, including those in the nature of banking, deposits and remittances;
- (iii) unlike the Finance Commission the Planning Commission examines the budgetary position of the centre in detail;
 - (iv) there appears to be a "target" element in the estimates of resources made by the Planning Commission, while the Finance Commission tries to make its estimates as factual as possible;
 - (v) the Planning Commission, being interested primarily in incremental development, largely ignores the need for adequately preserving the gains secured in previous plans. Since the qualitative aspect is not usually gone into by the Finance Commission the maintenance of completed schemes suffers by falling between two stools;
 - (vi) the states play off one body against the other. For the Third Plan period, the figures presented by some of the states to the Finance Commission under-estimated revenue resources while those to the Planning Commission over-estimated them. For the Fourth Plan the states were unable to use this device as the fourth Finance Commission had completed its work before the plan was formulated. But some of them, it is understood, managed to attain their objective (*viz.* a large plan) by presenting an over-optimistic picture of their capital resources;
 - (vii) the very time-lag between the final assessments of the two bodies causes divergence and discrepancies.

2.7 It has to be noted that, as against a revenue surplus of Rs. 357 crores assessed for the states for the Fourth Plan period by the fourth Finance Commission (1965), the surplus estimated by the Resources Working Group (and finally adopted by the Planning Commission for the purpose of its Note 'Fourth Five Year Plan—Resources, Outlays and Programmes' published in September, 1965) was 772 crores. Divergent conclusions

The difference of Rs. 415 crores could in part be attributed to the fact that anticipated receipts from Fourth Plan schemes were taken into account by the Resources Working Group but not by the Finance Commission. However, this cannot account for the entire difference. A precise analysis of the factors responsible for the difference is not possible as the Finance Commission has not disclosed its estimates of receipts and expenditures but it is natural that, with their different approaches and different methods of estimation, there should be substantial divergence between the conclusions arrived at by the two Commissions.

2.8 A state, if it is to receive the whole of the central plan assistance assured to it for a particular year, has to mobilise its own resources to the extent agreed upon during the plan discussions and has to reach the targetted plan outlays. The state has, therefore, to regulate its non-plan expenditure and administer its taxes as to be able to produce a revenue surplus of the order estimated, not by the Finance Commission, but by the Planning Commission. The Planning Commission's assessment of the needs of the states, in a manner of speaking, supersedes that of the Finance Commission. When, however, the state comes up to the centre for additional non-plan assistance for some purpose or the other, the centre examines the demand in the light of the report of the latest Finance Commission, the assumption being that all normal non-plan requirements have been duly taken care of by that Commission. This is obviously disadvantageous to the state, as under the compulsions of planning not all the revenue resources made available by the Finance Commission for non-plan purposes are actually so available. The centre (taking the Finance Commission and the Planning Commission as part of the central complex) thus appears to speak with two minds.

Summing up of defects of present system

2.9 The foregoing discussion emphasises the overlap of functions of the Finance and the Planning Commissions and the divergent assessments they make. With their different yardsticks and approaches it would appear that the two Commissions, between them, have not been able to secure the best possible distribution of resources.

This is a substantial defect. The deficiencies and drawbacks it gives rise to have been enumerated above. Possibilities have, therefore, to be explored of an arrangement which will remove these drawbacks. Two broad alternatives could be considered: one which would radically alter the existing system by bringing about a unification of the two bodies, and the other which, while retaining the existing structure, would seek to secure better co-ordination by an adjustment of procedures and functions.

2.10 An ideal solution would be to devise a machinery that would singly have charge of the total problem of plan and non-plan needs and thus be able to develop well-coordinated solutions to the different aspects of the problem. The machinery should function on a continuous basis. It should operate independently enough to inspire confidence amongst the states and yet not in so detached a way as to be cut off from reality. While it is difficult to think of a machinery that will be a perfect answer in every way, three possible models can be considered for an organisational solution of this kind, each being a variation on the same basic theme—the unification of the two agencies:

I—the functions of the Finance Commission may be expanded to include what the Planning Commission is doing in the matter of plan assistance, and it may function as a standing constitutional body;

II—the Planning Commission may be reconstituted to be a combination of two wings, one looking after planning and the other performing the functions of statutory devolutions;

III—the functions of the Planning Commission may be expanded to embrace those of the Finance Commission.

2.11 The first model is on the lines of a suggestion made by the third Finance Commission. The earlier suggestion was turned down because such functions could not be given to a body cut off from the responsibility for plan formulation and implementation. That argument is still valid and this alternative must consequently be rejected.

Second
Model—
Unified
constitu-
tional body
with two
statutory
wings

2.12 In the second model the unified Finance-cum-Planning Commission would be a constitutional body consisting of two wings, the planning committee and the finance committee. The commission could be headed by the Prime Minister and have minister as well as non-minister members. The planning committee, which would be co-extensive with the entire commission, could formulate, review and evaluate the plan, while the finance committee, which would consist only of the non-minister members, could go into the question of devolutions (except loans) for plan as well as non-plan purposes. The finance committee while devolving could, if felt necessary, have as its chairman a person who is not a member of the commission.

2.13 The two committees could be served by a common secretariat. The planning committee could (a) arrange for the preparatory work on the plan (b) prepare, with the help of the states, a tentative plan and (c) arrive at tentative conclusions in regard to non-plan expenditure, plan outlays and the extent of basic as well as additional resources both for the centre and the states. The finance committee could then go into the matter further and make its award on the non-plan side as well as on the grants portion of plan assistance. The award would make it clear that plan grants, although devolved statutorily under Article 275, would be available for expenditure on plan schemes alone. After the finance committee makes its award, the planning committee could finalise the central and state plans and submit them to the National Development Council as at present.

2.14 The advantages of the second model are as follows:—

- (i) there would be continuity in the exercises carried out on the non-plan side, which is not the case in the *ad hoc* studies taken up now every five years;
- (ii) plan and non-plan requirements would be viewed in relation to one another and in the context of the resources and the requirements of the states as well as of the centre;

- (iii) plan grants would be devolved once for all for a period of five years. This could compel the governments as well as the unified commission to be as realistic as possible in their forecasting;
- (iv) as plan and non-plan devolutions would be made simultaneously, it would be possible to secure an optimum distribution of the resources available.

2.15 But there are also disadvantages :

- (i) with two independent wings headed by different chairmen procedures would become clumsy and involved;
- (ii) in the event of a disagreement between the two committees over an important issue an impasse might result and much time lost in arriving at an acceptable solution;
- (iii) the deciding voice being that of the devolving body, *viz.* the finance committee, the arrangement would reduce the planning committee headed by the Prime Minister to the level of a recommending wing. Or, in the alternative, if the finance committee consisting of persons who would also belong to the planning committee, were to accept, invariably and in routine, the suggestions of the latter, impartiality and independent thinking might cease to be assured and the commission may not inspire the confidence of the states.

This model, in its working, is thus likely to meet with difficulties and must also be rejected.

2.16 The third model envisages a unified commission performing the functions of both the finance and the planning committees in the second model described above. ^{Third Model-}Unified body without statutory wings Two variants are possible. The commission may either be non-statutory like the present Planning Commission or a standing constitutional body. In either case, non-minister members would be specialists or public men with wide experience.

The number of minister-members could be restricted to the Prime Minister and the Finance Minister, so that the commission can inspire confidence. By convention, the basic work, under broad policy guidelines given by the commission, could be performed by an informal committee consisting of the non-minister members. The procedure for determining plan and non-plan devolutions could be somewhat similar to that described at paragraph 2.13 above, a major departure making for smoother and simpler operations being that the award declaring non-plan devolutions and plan grants would be made at the end of plan formulation. The single commission would continue to seek the guidance of the National Development Council (or any advisory organ that replaces it) in all important matters like the size of the plan, taxation policies and the like. If the commission is made non-statutory, grants (non-plan and, if necessary plan) recommended by it can be assured to the states by Parliament passing a law for the purpose once in five years.

2.17 Such a commission would possess all the advantages enumerated in paragraph 2.14 above. Not only would it be operationally superior to the second model, it would also ensure an integrated approach to the whole problem of devolutions and grants. But for the drawbacks described below this model would provide the ideal solution.

2.18 The non-statutory variant of this model may not inspire the confidence of the states, particularly in regard to tax-sharing. Besides it would not be legally binding on the centre to consult the non-statutory commission, and this would deprive the states of a vital constitutional safeguard at present available to them. It might for this purpose become necessary to think of a constitutional body to determine the allocation and distribution of shareable taxes.

2.19 If the single commission were to be given constitutional status, the following other handicaps would have to be reckoned with :

- (i) as the recommendations of such a body would affect the entire range of governmental activities, plan as well as non-plan, it might come to wield

too much influence over the policies of the centre and the states ;

- (ii) the planning process, being essentially one of continuous review, consultation and adjustment, must be flexible and must make allowance for political needs. The juridical approach that might permeate the deliberations of the unified constitutional body would make the process rigid;
- (iii) any report by a body headed by the Prime Minister should be unanimous. But in a commission consisting mostly of experts, the Prime Minister and the Finance Minister can, in theory, find themselves out-voted and placed in an embarrassing position. Also, members may air their differences by appending minutes of dissent;
- (iv) with the Finance Minister as one of its members, the commission may appear to favour the centre rather than the states and hence its awards may not prove acceptable to the states, particularly in regard to tax-sharing;
- (v) superimposing the duties of the Finance Commission on those of the Planning Commission may lead to (a) the expansion of an organisation which is already quite large and (b) administrative difficulties and bottlenecks.

The defects at (i), (iv) and (v) are not insurmountable nor as serious as those at (ii) and (iii). There does not seem to be any method of getting round the latter, and this model, therefore, would also not seem capable of providing the right solution.

2.20 If in the case of these models plan grants are statutory, all the objections listed in Chapter VII would arise. Therefore, even if any of the models were to be accepted, plan grants would have to remain "non-statutory".

2.21 The disadvantages in a unified agency explained above are formidable and seem to outweigh the advantages. Each of the models envisages a completely new organisation and procedures which have yet to be tried. As it is essential

Drawbacks
of statutory
plan grants

FIRST ALT.
ERNATIVE:
NOT FEA-
SIBLE

that transition from the old to the new should be smooth, it is felt that none of these models, attractive though the last one in particular is, can be recommended. The alternative of a unified body has, therefore, to be discarded.

THE
SECOND
ALTERNATIVE

Streamlining
existing
procedures

2.22 The impracticability of having a single body to determine devolutions of taxes and grants leads us to explore possibilities of securing an integrated approach without merging the two bodies. This alternative presents us with two choices. The first would give them a common secretariat, and, in part, common membership, but leave their functions unchanged. The second would redistribute functions, and, if necessary, give the two bodies a common secretariat.

Common
Membership
and
Secretariat

2.23 The first choice itself has two variants, one based on statute and the other non-statutory. In the first variant, the Planning Commission could be made a statutory body either by amending the Constitution or by an Act of Parliament. A statute can lay down qualifications for the non-minister members of the Planning Commission. The Finance Commission Act could then be amended to provide for :

- (a) the chairmanship by an existing or former High Court Judge, if necessary;
- (b) the automatic membership of all or some of the non-minister members of the Planning Commission;
- (c) two or three other members fulfilling the prescribed qualifications; and
- (d) a member-secretary to be the same as the Secretary to the Planning Commission.

2.24 In the second variant, the Planning Commission could continue to be the non-statutory body that it is at present. By convention the non-minister members of the Planning Commission could be so chosen that they qualify for membership of the Finance Commission. All the other arrangements mentioned in paragraph 2.23 could also be introduced by convention.

2.25 An important feature in both variants is that the two Commissions would have a common secretariat and a common secretary. The secretary (and the common members)

would co-ordinate the thinking of the two Commissions and help them resolve the differences that may develop. The Finance Commission could take an overall view of both plan and non-plan needs for its quinquennial devolution, while the Planning Commission could base its scheme of plan financing on the conclusions reached by the Finance Commission. Thus the benefit of integration could be secured without an actual fusion of the two Commissions. The award of the Finance Commission in regard to the devolution of taxes and grants-in-aid and the announcement by the Planning Commission of state plans and plan assistance could be almost simultaneous, the timelag between the two not exceeding a couple of months or so.

2.26 While this arrangement would enable an integrated look to be taken the arrangement itself is a little clumsy and almost has an element of duplicity in it. Common membership amounts, in effect, to unifying the two Commissions, and leaves little point in having two Commissions at all. Besides, in theory at least, possibilities of friction between the two Commissions cannot be overruled. The converse of this proposition is that, in practice, it may be difficult for members to be independent.

2.27 We now come to the second choice available in this alternative, i.e. of redistributing the functions of the Finance and the Planning Commissions. Broadly, there are three functions to be performed. There is first the task of determining the share of the states in divisible taxes and distributing that amongst the various states. There is then the task of determining how much grant-in-aid each state should get under Article 275. And, finally, there is the question of determining how much each state should get in the way of plan grants. At present, it is the Finance Commission that deals with the first two of these functions and the Planning Commission with the third. Determining how taxes should be shared is an issue which would appear to require a semi-judicial approach, because a tax sharing scheme has to be in the nature of an award by an impartial body capable of inspiring the confidence of all concerned. This function should, therefore, continue to be looked after by the Finance Commission

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Commission, which does have the attributes of a semi-judicial forum. The third of the functions listed above, namely, the determination of plan-grants for states, must similarly continue to be handled by the Planning Commission because the task is inseparable from the process of planning. This means that the only flexibility available for redistributing functions between the two Commissions is in respect of the second of the above tasks, namely, the determination of grants-in-aid under Article 275. The specific proposition we have considered is the transfer of this function from the Finance Commission to the Planning Commission.

2.28 The reason for the conflict and confusion in the present situation is that both Commissions go into the needs of the different states, and in doing so apply different criteria and arrive at different results. The Finance Commission examines the needs of the states because it has to have a formula for determining grants-in-aid and the practice has obtained from the beginning that the quantum of grants-in-aid is related to the budgetary gaps of the states. The Planning Commission examines the needs of the states in order to discover what surpluses can be made available from the non-plan side for deployment on the plan side. If the function of determining grants-in-aid were to be transferred from the Finance Commission to the Planning Commission, the states' requirements would be looked into only at one place and the occasion for conflict and confusion would disappear. The Finance Commission would then no longer have to meet the budgetary gaps of the states. The entrustment to the Planning Commission of the two tasks of fixing grants-in-aid under Article 275 as well as plan grants would not only remove the possibility of conflict and confusion, but would also enable an integrated and rational approach to be developed in regard to grants for the states after taking account of the requirements of administration as a whole. For these reasons, we consider that there is a good case for re-arranging functions in the manner mentioned above.

2.29 A possible argument against expanding the functions of the Planning Commission in the above fashion could be that, since it is primarily concerned with planning and

development, it is not likely to give adequate attention to the non-plan requirements of the states. Such a fear would be well-founded if the attitude of the Planning Commission remains as in the past. But we consider that, if the Planning Commission is made responsible for making a total assessment of states' requirements, non-plan as well as plan, its approach cannot but change. The present partiality of this body for plan requirements would then be replaced by an objectivity in regard to the total needs of administration. We do not, in other words, share the fear that entrusting the Planning Commission with the job of making a total assessment of states' needs and determining both plan grants and grants-in-aid under Article 275 would result in the claims of the plan squeezing out non-plan requirements. On the other hand, we think, there is reason to hope that such an arrangement would impel the Planning Commission to give greater attention to an aspect of non-plan requirements which has remained much neglected, namely, satisfactory maintenance of the level of development achieved under previous plans.

2.30 Another possible argument against the re-arrangement of functions discussed above could be that it would not leave the Finance Commission with enough functions. It might be said that successive Finance Commissions have been in broad agreement in regard to most of the principles and criteria for tax sharing, so much so that the Chairman of the fourth Finance Commission even suggested that these principles and criteria could be written into the Constitution itself. This being the case, it might legitimately be asked whether Finance Commissions of the future would have much to do. So long as shareable taxes remain what they are today, it does seem that the task for a Finance Commission, in the light of the principles and criteria evolved by the past Commissions, is not a very complex one. However, it is one which has to be performed by a body of appropriate status and independence and consequently the need for Finance Commissions will continue. What is important to note, in this connection, is that shareable taxes need not for ever remain what they are today. Later in this very chapter we ourselves are recommending a widening of the base of devolution. If

and when such an eventuality takes place the functions of the Finance Commission would become correspondingly more important.

2.31 Still another argument which could be urged is that this arrangement would place the states at a disadvantage. In the present dispensation the area of their assured devolutions consists of two components, *viz.*, their shares in divisible taxes and their grants-in-aid. In the proposed arrangement only the first of these would have all the features of assured devolution, the second being entrusted to the discretion of a non-statutory body like the Planning Commission. If shared taxes remain as at present, grants-in-aid will continue to be as important as they have been in the past. In that event some degree of validity would have to be conceded to this argument, although the evidence before us is that not all the states have less confidence in the Planning Commission as compared with the Finance Commission. But we do not anticipate that there will be no expansion in the area of shareable taxes. On the contrary, as mentioned earlier, we are of the view that the base of devolution should be widened by including more central taxes in the list of shareable taxes. If that view is found acceptable it will become possible for the states to get far more through the channel of divisible taxes than is the case at present, and in that event assured devolutions through the Finance Commission will again come to form a high proportion of the total devolutions passed from the centre to the states. Our views about widening the base of devolution are set out later in this chapter, but it is necessary to mention that they have influenced our thinking to some extent in suggesting a re-arrangement of functions between the Finance and the Planning Commissions.

2.32 We would, therefore, recommend that the Planning Commission should be entrusted with the entire work of determining budgetary needs. In other words, the Finance Commission should deal only with the sharing and distribution of divisible central taxes, while the Planning Commission should determine plan assistance as well as non-plan grants. This determination should take into account the

centre's needs as well as those of the states. Grants and loans for new plan schemes should be decided tentatively for a plan period and their annual amounts reviewed and finalised yearly thereafter. The transfer of functions relating to grants-in-aid from the Finance Commission to the Planning Commission would necessitate an amendment of Articles 275 and 280 of the Constitution. A question arises whether in this eventuality, both the Articles [275(1) and 282] under which grants are given to the states need be retained. One view is that grants should then be made only under Article 282, and that statutory grants should disappear. The other view is that there should be no uncertainty about the annual amounts to be paid to the states as non-plan grants-in-aid over a period of five years. A law should, therefore, be passed every five years under the substantive portion of Article 275(1) fixing the annual grants-in-aid to be paid to such of the states as require assistance. The latter view is commended.

2.33 The advantages of this arrangement are that

Advantages
of redistribu-
tion

- (i) there will be an integrated and comprehensive examination of plan and residual non-plan "needs" by a single body *viz.* the Planning Commission;
- (ii) the divergence that is apparent in the assessments of the present two Commissions will be avoided and the distribution of resources will be placed on a sounder footing;
- (iii) the Planning Commission will necessarily have to consider and make adequate provision for important non-plan items (including 'committed' expenditure);
- (iv) the bulk of non-plan needs will continue to be met by devolutions through an impartial body *viz.* the Finance Commission; and
- (v) in considering demands from states for additional assistance, the centre need go by only one set of estimates *viz.* those arrived at by the Planning Commission.

2.34 It will have to be considered whether, under the new arrangement, the Finance Commission should have a separate permanent secretariat of its own or whether it should have a secretariat common with the Planning Commission. In this arrangement the Finance Commission will not be required to fill the budgetary gaps of states but may nevertheless have to make a broad (though not a meticulous) assessment of the "needs" of the states and of the ability of the centre to meet those needs. In other words, the Commission, while determining a state's share of divisible taxes, may have to take an overall view of the functions, resources and levels of expenditure of the centre vis-a-vis those of the states. There is, therefore, a possibility of the Finance Commission's broad assessment of the states' needs differing in certain respects from the detailed assessment carried out by the Planning Commission for the purpose of determining grant assistance. A remedy that could be thought of is a common secretariat for the two Commissions. But we think this is unnecessary as the actual award of the Finance Commission will not carry assumptions or implications of the "needs" of the states, plan, or non-plan, and will, therefore, contain no estimates of budget deficits or surpluses. Moreover, in order to give the entire work of the Finance Commission an air of scrupulous impartiality and to keep it free from any allegation of bias that a body like the Planning Commission may inevitably attract, it appears necessary that it should not have any organic link with the latter body. Mention may be made here of the recommendations of the fourth Finance Commission in this connection. The Commission recommended that the cell in the Ministry of Finance which collects budget data for the Finance Commissions should be reorganised and strengthened, so that there is a continuous study of state revenues and expenditure. A unit for studying the finances of states is at present functioning in the Plan Finance Division of the Ministry of Finance and has made considerable headway in collecting and analysing various types of data in this connection. It is suggested that this unit should be strengthened, if necessary, and whenever a Finance Commission is set up, it should form the nucleus around which the Commission's secretariat is constituted.

2.35 As pointed out earlier, a method has to be devised of expanding the area of assured devolutions, more particularly if the proposed re-arrangement of functions between the Finance and the Planning Commissions is not to operate to the detriment of the states. Successive Finance Commissions have recommended progressively larger devolutions of taxes to the states in view of their expanding range of functions, particularly in the economic field. Nevertheless, all except a few states continue to need grants-in-aid to fill their non-plan revenue deficits. It, therefore, appears necessary :

- (i) to secure for the states a larger devolution of taxes than at present, so that, in actual practice, the need for grants-in-aid under Article 275 either disappears or is minimised. This would suggest
 - (a) widening the base of devolution, and
 - (b) fixing the states' share of divisible taxes at sufficiently high levels;
- (ii) to bring about a fuller exploitation of the assigned taxes mentioned in Article 269 of the Constitution; and
- (iii) to safeguard the interests of the states in the matter of such of the central taxes as concern them and to have an institutional forum for consultations between the centre and the states to facilitate an appreciation of common problems.

The first two questions are dealt with in the succeeding paragraphs of this chapter. Proposals for the third have been adumbrated in Section III of this report, as this desideratum extends to other areas of centre-state relationships.

2.36 One way of reducing the excessive dependence of the states is by increasing devolutions. The normal essential expenditures of states have been increasing and will continue to do so at a fast rate. It will, therefore, have to be examined whether there is not a case for widening the base of devolution by extending shareability to other taxes. The existing restriction is academic because, if necessary, the share of the states in the taxes and duties shareable at present could be as high as 99%. How high the share is fixed depends on how broad or narrow the base of devolution is. Recognising that

the needs of the states increasingly outstrip their resources and that funds have to be devolved by the centre in some form or other it is only realistic to grant the case for extending the base of devolution and bring other taxes also within the ambit of shareability. This will also enable rationalisation in tax levy and administration. It will further have to be considered whether the corporation tax and such of the surcharges as continue to be levied by the centre, for say, more than three years, should not be shared with the states. The question of sharing corporation tax will have to be viewed in the light of the exclusion from the divisible pool of income-tax paid by companies.

Prescribing
shares of
divisible
taxes in the
Constitution

2.37 Having regard to rapidly changing conditions, no five-yearly award, however, carefully worked out, can prove to be even reasonably accurate. A view can, therefore, be taken that in regard to shareable levies, the respective shares of the states should be laid down in the Constitution itself. The states' share, whether of income-tax or Union excises, has been progressively increased by the successive Finance Commissions. A stage has perhaps been reached where no substantial increases in terms of percentages of net proceeds can be expected by the states. It has, therefore, been suggested by some that the percentage shares of the states should be incorporated in the Constitution itself. A further suggestion is that the states' share should be fixed at a level which would take care of a part of the revenue plan needs of the states. If this is done, most of the states will not have a revenue deficit and the task of determining the non-plan needs of the states will be further simplified.

Some proponents of this course would also say that if the percentage shares of the states of the proceeds of income-tax and shareable excises are fixed at a sufficiently high level in the Constitution itself, it would not be necessary to widen the base of devolution. This last argument seems to be dubious. A glance at the analysis at Appendix 1 will show that there are substantial sources of revenue, existing and potential, other than income-tax and shareable excises (corporation tax being an example of the first and wealth tax of the second) and that a permanent fixation of a percentage of the last two may

not, in a changing economy, secure to the states the advantage sought. Even if the percentage of the proceeds of some taxes and duties is fixed in the Constitution, the issue of widening the base of devolution will have to be looked into.

2.38 As regards the distribution of the states' share of divisible taxes among the states *inter se*, there is a view that an expert body should suggest a distribution based on factors that can be reliably determined. If this is not possible general principles and criteria should be evolved for the distribution of divisible taxes among the states. Once such a set of principles and criteria receives general acceptance the task of the five-yearly Finance Commission will be rendered easier and will be limited to the application of these principles. A major drawback here is that shares and weightages fixed today may cease to have any validity in future years. In a dynamic situation, changes may be so fast that recommendations made now may cease to have much meaning and relevance five years hence.

2.39 Article 269 of the Constitution mentions a number of taxes which can be levied and collected by the centre but the proceeds of which are to be wholly assigned to the states. Inter-state sales tax and estate duty are the only taxes in this category which are being levied at present. As regards the remaining, terminal tax on goods or passengers carried by railway, sea or air and taxes on sale or purchase of newspapers and on advertisements are potential sources of fairly sizeable revenues. Taxes on railway fares and freights could be levied only in lieu of increases in fares and freights and will naturally affect the revenues of the Railways. A balance will, therefore, have to be struck between the needs of the states and of the Railways. Duties in respect of succession to property other than agricultural land have not been levied so far mainly on account of the difficulties arising from the peculiar features of the Hindu joint family system. Taxes other than stamp duties on transactions in stock exchanges and futures markets may not yield significant revenue, as only a few states possess well-developed stock exchanges. A comprehensive examination should now be carried out in

regard to the possibility of exploiting these taxes and the repercussions that these are likely to have on the economy.

2.40 We, therefore, recommend that an expert body should examine all the courses mentioned in paragraphs 2.36 to 2.39. The basic idea of this examination would be to see how larger resources and greater devolutions to the states can be ensured. The advantage of such a study could also be taken to examine other related questions, e.g. the rationalisation of taxes. Possible items for examination are listed in Appendix 2. This body could either be a specially set up Finance Enquiry Commission, or the next Finance Commission itself, set up earlier and with terms of reference suitably enlarged.

SUMMARY
OF
CONCLUSIONS

2.41 To conclude:

- (1) the work of allocating and distributing shareable taxes and that of determining grants-in-aid under Article 275 to states in need of assistance are distinct functions and should be separated by entrusting the latter to the Planning Commission;**
(paragraphs 2.27 to 2.33)
- (2) the present unit in the Plan Finance Division of the Ministry of Finance which has made considerable headway in the collection and analysis of data relating to state finances should be strengthened. This unit should form the nucleus of every Finance Commission's secretariat;**
(paragraph 2.34)
- (3) either a Special Finance Enquiry Commission or the next Finance Commission may examine the question of widening the base of devolution and of prescribing the shares of divisible taxes in the Constitution itself (for possible terms of reference, please see Appendix 2).**
(paragraphs 2.35 to 2.40)

CHAPTER III

LOANS AND INDEBTEDNESS

3.1 The Constitution has placed a special responsibility on the centre in regard to borrowings by the states. Subject to such conditions as may be laid down by Parliament by law, the centre can make loans to a state or give guarantees in respect of loans raised by a state. A state cannot raise a loan without the consent of the centre as long as a central loan is outstanding or a guarantee given by the centre is in operation. In giving such consent the centre can impose such conditions as it thinks fit. In practice, every state has to borrow regularly from the centre so that at no time is it free from indebtedness to the centre. Consequently, its entire borrowing operations come under the centre's control.

3.2 The two important categories of borrowings by states are market loans and loans from the centre. The market borrowing programmes of the states and the centre are co-ordinated by the Reserve Bank of India in consultation with the centre whose formal concurrence is necessary under the Constitution whenever a state loan is floated. Market borrowings do not present any repayment problem. On maturity these are usually repaid by raising new market loans. The orthodox method, however, is to amortize market loans from revenue. The limited availability of funds in the market in a way acts as a check on the undue accumulation of such debts.

3.3 The states receive central loans for plan as well as non-plan purposes. Repayment of central loans is usually in equated annual instalments. A period of moratorium is sometimes allowed for the repayment of the principal, having regard to the nature of the scheme on which a loan is utilised. No limit has been placed on the extent to which a state can borrow from the centre. Neither has there been any attempt to link the magnitude of central loans with the capacity of the recipient state to extinguish its overall debt obligations.

Main cause
of heavy in-
debtedness

3.4 The increase in the size of the debt has been steep over the three plan periods. Fresh loans invariably outstrip repayments and in effect the principal (and, in some cases, even interest) is repaid by taking fresh loans from the centre.

Certain
attitudes
arising from
heavy in-
debtedness

3.5 This has bred in the states a degree of indifference as a result of which, when receiving assistance from the centre, they heed little whether the assistance is in the form of a loan or a grant. For this very reason mounting indebtedness does not seem to have brought about keen awareness of the need for either thrift or the efficient utilisation of scarce resources. On the contrary, we have it on the authority of the Ministry of Finance, even the less developed states, undeterred by the heavy burden of debts, have permitted wasteful expenditure, embarked on expensive projects without carefully assessing their likely returns in relation to their expenditure and generally taken advantage of the centre's anxiety not to let any part of the country remain without development (*vide* paragraph 10 of the 22nd Report of the Public Accounts Committee, 1963-64). The affair of the Paradeep Port Project is an illustration of the aberrations that have thus occurred. The existing creditor-debtor relationship between the centre and the states is partly responsible for breeding these attitudes and for providing a mechanism for their successful play.

Artificiality
of states'
indebtedness
to centre

3.6 The ratio of the total public debt in India (for the centre and the states put together) to the national income stood at 51.2 per cent in 1963. This compares favourably with 67.4 per cent for Australia, 76.4 per cent for Canada, 123.2 per cent for U.K. and 64.6 per cent for U.S.A. for the same year. Relatively, therefore, the burden of public debt is not heavy in India. This can also be inferred from the fact that, not taking into account the centre's loans to the states, the revenue receipts, whether of the centre or the states, have kept pace with debt repayment obligations. In this context, the phenomenal and now almost unmanageable burden of outstanding central loans to states appears paradoxical and calls for an examination of the very basis of the lender-borrower relationship between the centre and the states.

3.7 This relationship has various aspects but the essential fact about it is the unmanageable magnitude of the debt of the states and it is to the treatment of this problem that we have primarily addressed ourselves in this chapter. Once this problem, which calls for an examination of the principles governing the advancement of loans, is settled the other aspects fall in place. Of the latter, we have discussed in this chapter what seemed to us the most pressing, namely, arrangements for the amortization of existing debts and the problem of unauthorised overdrafts.

3.8 Between 1951-52 and 1965-66 the outstanding debt liabilities of the states rose from Rs. 445 crores to Rs. 5,382 crores—a more than twelve-fold increase over a period of 15 years. Of these liabilities, while market borrowings increased six times—from Rs. 149 crores to Rs. 870 crores—outstanding central loans rose from Rs. 239 crores to Rs. 4,094 crores—a seventeen-fold increase (Appendix 3). The increasing dependence of the states on central loans for their capital disbursements is revealed by the following figures:—

	First Plan	Second Plan	Third Plan
	(In crores of rupees)		
A—Capital disbursements*	998	1903	3458
B—Loans from the centre	770	1417	3091
Percentage of B to A*	77	74	89

(*Excluding appropriation to contingency and other funds, state trading transactions and all debt and deposit items excepting loans and advances by states).

3.9 The large intake of central loans has naturally resulted in a steadily increasing repayment obligation. The proportion of repayments of central loans to the amount of such loans received rose from 9% in the First Plan period to 26% in the Second and to 33% in the Third (Appendix 4). A rough estimate shows that during the Fourth Plan period repayments are likely to constitute 40% of the new loans to be received.

3.10 Amortization practices differ from state to state. Only a few states attempt to meet central loan repayments

from revenues and none really has the revenues to succeed in the attempt. For unlike the centre, which has had comfortable revenue surpluses since the beginning of the Third Plan period, the surpluses of the states as a whole have been meagre (Appendix 5). Thus the proportion which the repayment of central loans by states bore to their total revenue receipts increased from 3 per cent for the First Plan period to 9 per cent for the Second and to 14 per cent for the Third (*vide* Appendix 6), while in the case of the centre the ratio of debt repayments to total revenues has not shown an increase nearly as sharp (Appendix 7). The result, as shown above, is that loan repayments are financed exclusively from fresh borrowings. As long as this is so the states cannot hope to effect any reduction in their overall indebtedness. Amortization or financing repayments from revenues is just not possible with a debt of this scale. The primary need, therefore, is to see if the creditor-debtor relationship between the centre and the states cannot be so altered in the future as to reduce substantially the pressure of debt on the latter. Only if that can be done can any scheme of amortization hold out promise of success.

Non-plan
loans

3.11 The great burden of outstanding central loans is due mainly to the rising magnitude of plan loans. Loans are indeed given for non-plan purposes also but these do not give rise to a comparable problem. They fall under three categories—(i) general purpose loans, *e.g.*, share of small savings and ways and means advances, (ii) loans utilised by states for re-lending to third parties, *e.g.* loans to displaced goldsmiths, and (iii) loans for other specific purposes, *e.g.* assistance for natural calamities, police housing schemes etc.

The problem
of liquidating
non plan loans

3.12 A state's share of small savings, which is received by it as a central loan, is comparable to its market borrowings. Both represent the savings of the community residing in the state and are an index of its economic prosperity. As such, it would be reasonable to assume that the state would be able to raise taxes of an order commensurate with the volume of such borrowings. In other words, it should be possible to amortize these loans from revenue without the state having to curtail its normal activities. Ways and means

advances are extended by the centre to help a state tide over seasonal fluctuations in its finances. A prudent state should be able to repay them without having to resort to extra borrowings. Loans in the second category, *viz.*, those utilised by the states for re-lending can be paid out of the recoveries effected from the loanees and hence should not pose any difficulty either. As for loans in the third category, their magnitude is likely to be comparatively small except when, in abnormal circumstances such as severe drought, the states are forced to borrow large amounts. In the Third Plan period these constituted roughly ten to fifteen per cent of the total of all non-plan loans (Rs. 1,214 crores).

3.13 It will be clear that non-plan loans by themselves are well within the capacity of the states to liquidate by amortization (or repayment from revenue where necessary) and that the causes for rising indebtedness must be looked for in the massive increase in plan loans. We shall, therefore, examine the principles underlying the giving of loan assistance for state plans. It may be mentioned that plan loans to the states amounted to Rs. 805 crores in the Second Plan and Rs. 1,953 crores in the Third Plan. In the Fourth Plan, they are likely to be of the order of Rs. 2,800 crores.

3.14 This magnitude of indebtedness for financing the plans is marked by certain anomalies. Planning involves, among other things, the formulation of physical targets, the estimation of financial resources and the balancing of the physical plan against the financial plan for the country as a whole. After the plan outlays and the financial resources to be raised have been determined for the centre on the one hand and the states on the other, the gap between the states' resources and their plan outlays is left to be met by assistance from the centre. The central assistance so determined is distributed among the states and the plan outlay for each state finalised. At this stage the grant and loan components of central assistance are not known.

3.15 A striking feature of this process is that till the end of the plan formulation stage the centre and the states are thought of as partners in a common endeavour. The ostensible aim is to assist each state according to its developmental needs, such needs having been determined in the national

plan. A state when assured of a certain quantum of central assistance for its plan is committed to its execution. There can be no question of a state backing out on the plea that the central loan assistance earmarked for it will prove unduly burdensome.

3.16 A logical corollary of this partnership would be to ensure an equitable sharing of the repayment obligations which the capital resources distributed bring in their wake. But the present scheme of financing is not designed to ensure this. Except for a small portion treated as capital grant all the capital resources transferred to a state are treated as loan, whether or not the state has the capacity to shoulder the loan obligation. Consequently, when the plan is implemented and plan assistance is released a relationship of partners is transformed into a creditor-debtor relationship. Herein lies the anomaly which has placed an unduly heavy burden of outstanding loans on the states.

3.17 An assumption implicit in the existing system is that a state alone derives all the benefits from the development schemes that it finances. But these schemes promote economic activity and result in increases in the production of goods and services, increases in national income and so on. The centre shares in these benefits through increases in its financial resources (*e.g.* Union excises, corporation tax and market borrowings, to name a few). As a sharer in the fruits of such projects in the states the centre cannot, in fairness to the states, absolve itself of all responsibility for shouldering a reasonable portion of the repayment obligations referred to in the preceding paragraph. It might be argued that the converse is also true, that a state benefits from a central public undertaking located in it, but that this has never been held to be a ground requiring the state to share the centre's burden of repaying the debt incurred on that project. This converse argument does not have the same force because in this second situation the increased resources of the state would be balanced in due course by a decrease in the assistance from the centre. A comparable balancing mechanism, despite the sharing of taxes, does not exist in the first.

Loan obligations
not shared equitably

3.18 Another drawback in the present scheme of financing is that there is no attempt to determine separately the gap between the revenue resources of a state and the revenue component of its plan outlay and to cover the gap by revenue grant assistance. The result is that a state is sometimes forced to finance its revenue plan expenditure from capital funds. This is not sound financial practice, as capital funds are required to be spent either on concrete assets of a material character or for reducing recurring liabilities. During the Third Plan period there was an instance of a state which exceeded its targets for both additional taxation and mobilisation of other resources (and did not resort to overdrafts) and yet had to meet a part of its revenue plan expenditure from capital resources.

3.19 The third drawback in the present system of loan assistance is the insufficient attention paid to the financial remunerativeness of plan schemes. Financial prudence requires that, in utilising borrowed funds, the maximum possible returns should be ensured so that the capacity to repay such funds is not impaired. The selection of plan schemes is no doubt based on broad economic criteria but this by itself is not good enough. State governments should strive to secure the maximum possible financial returns consistent with the overall goals and objectives of the plan. In actual practice, in the quest for broad economic and social benefits, this aspect is largely over-looked. To some extent this neglect arises out of factors built into the present system for determining loan assistance.

3.20 As explained in Chapter VII of this report it is with the help of patterns of assistance that the loan and the grant components of central assistance to be released against each head of development in the state plan are determined. These patterns do not take into account the financial remunerativeness of schemes. To quote a few examples, flood control schemes and anti-sea-erosion schemes earn 100 per cent loan assistance, irrespective of the extent to which they might be productive. Again, the miscellaneous development loan, which is earned on the basis of the total plan outlay (excluding outlay on agricultural programmes, co-operation and

certain river-valley projects). indirectly finances even revenue expenditure on plan schemes where the very mention of a productivity test is irrelevant. We venture to suggest that the failure to link the loan relationship with tests of financial remunerativeness of the outlays financed from loans is possibly a factor contributing to the partial failure of some of the plan effort mentioned in the Draft Outline of the Fourth Five Year Plan.

Drawback in regard to period of loan repayment

3.21 The fourth drawback relates to repayment schedules. The standard period of 15 years and the upper limit of 25 years prescribed for the period of repayment are based on the periods of maturity of medium and long-term market loans and are not related to the capacity of the schemes financed to yield returns. The result is that the repayment of a loan starts long before the scheme financed by it starts yielding returns. For example, the miscellaneous development loan, which finances major irrigation schemes and power schemes, has to be repaid in ten years even though these schemes often need longer periods to yield returns. This obviously places a strain on a state's resources.

PROPOSED
M CHA
NISM FOR
LOAN
FINANCING

Principles
that should
govern dis-
tribution of
capital re-
sources

3.22 Any rational scheme for the transfer of capital resources should be in consonance with the spirit of partnership which guides the formulation of plans and the allocation of central assistance. The centre, in the matter of utilisation of its capital resources earmarked for the plan, would, therefore, be justified in treating the capital expenditure of the states on the same footing as its own capital expenditure. Just as the centre does not expect all its own investments to yield returns sufficient to recoup the capital invested, it should not in principle insist that the capital resources transferred to the states should invariably be repayable by them. If the country had been a unitary state the government would have had to undertake and finance the very activities which the states now finance through central loans. Presumably the government in the unitary arrangement would also have used capital resources for these without necessarily expecting or providing for repayment in every case. Why then should the centre deal with the states in the matter of loan repayments as a bank deals with entrepreneurs especially when the fiscal

administration of the country has many unitary features and the states are in fact heavily dependent on the centre? True, in the hypothetical unitary state the government would be responsible for the wise selection and efficient execution of projects but, in a federal set-up, the Central Government as the lender could attach suitable conditions to ensure that capital assistance is utilised as efficiently as possible. Where the investments made by the states with the help of capital assistance from the centre yield direct financial returns, the centre would be justified in claiming a reasonable share of the returns. Where they do not, there is no real justification for expecting returns or repayment. This principle, stated baldly here, is spelt out in the succeeding paragraphs.

3.23. The categorisation made in paragraph 3.11 for non-plan loans holds good for all central loans and may be repeated:

- (i) general purpose loans, *e.g.*, share of small savings and ways and means advances. These are entirely non-plan loans but like market borrowings are available to the states for any purpose;
- (ii) loans utilised by states for re-lending to third parties which may be plan or non-plan; and
- (iii) loans which are given for specific purposes (whether itemized or broad) and utilised by the states towards direct expenditure, *i.e.* expenditure other than on loans to third parties. These again may be plan or non-plan. As pointed out in paragraph 3.12 above non-plan loans of this variety are of comparatively small magnitude and, as such, we have grouped them with plan loans utilised for direct expenditure.

3.24 As regards the first category, the repayment obligations are, and should remain, entirely the responsibility of a state. These loans are not normally meant for revenue expenditure, but even if some part is so utilised that is the concern of the state as it has to repay it like a market borrowing. We do not, therefore, suggest any change either in the present procedure for giving general purpose loans or in their terms and conditions.

Loans util-
ised for re-
lending

3.25 A central loan which is re-lent by a state to third parties can be repaid out of the recoveries effected from them. Such loans should not in general pose any special repayment difficulty and should continue to be recovered from the states as at present. It is the business of the state to collect them in turn, and in time, from the parties to whom these moneys are lent. Remissness on the part of a state must not here be viewed leniently and recovery should be effected from it in full by the centre. But we feel that the terms and conditions of repayment could be softened in the case of loans utilised for re-lending to an autonomous body in the public sector which provides a public utility (*e.g.* a development authority) and, as a consequence, faces the same handicaps as the state government in the matter of increasing its earnings and repaying its loans.

3.26 What is the extent to which the centre should exercise itemised control over such loans? We feel that no change in the existing procedures is necessary for non-plan loans earmarked for re-lending. This control is at present itemised, every loan being given by the centre to a state for a specific purpose. For plan loans to be re-lent we would recommend a different approach. In Section II we have spelt out measures for bringing about a considerable degree of decentralization and have suggested an approach according to which grants for plan purposes will be block grants to be used by the states at their discretion, except for crucially important programmes to be specified beforehand for which grants will be tied. The same approach could govern loans meant for re-lending to third parties. A block amount may be loaned to a state for re-lending in a particular year, after assessing its broad lending requirements according to its plan. Its utilization on individual schemes may be left to the state government. Loans for crucially important programmes may be issued in a tied form so that they are utilized only on these programmes.

Revenue
expenditure
to earn only
revenue
grants

3.27 Coming to the third category, the first step required to rationalise the system of loan assistance to states is to affirm the principle that capital assistance must not be used to finance revenue expenditure. As non-plan loan assistance

is decided with reference to individual cases this reform can be brought into effect in the non-plan field without much difficulty. For plan assistance it will be necessary, in the first instance, to work out the revenue and capital components of the estimated plan outlay of each state. The total revenue grant assistance to be provided by the centre should be of a magnitude which, together with a state's own revenue resources for the plan, balances the revenue plan outlay. The balance of revenue resources, if any, with the centre will, as is the usual practice, be added to the centre's pool of capital assistance to states. In this way, the possibility of a state having to meet revenue expenditure from capital funds will be avoided.

3.28 That the balancing of revenue resources against revenue expenditure is feasible will be evident from the latest estimates pertaining to the Third Plan. As against a revenue expenditure of roughly Rs. 893 crores on state plans, the states raised revenue resources of Rs. 790 crores and received grants totalling up to Rs. 549 crores from the centre. In addition, the centre had a revenue surplus of Rs. 1,020 crores. In other words, sufficient revenue resources were available in all for meeting all revenue expenditure on state plans and no assistance for this purpose from capital resources was necessary taking the all-India picture as a whole. However, as pointed out in paragraph 3.18 above, such balancing was not attempted for individual states, with the result that in one instance revenue plan expenditure had to be financed from capital resources. To rule out such possibilities this balancing, which is perfectly possible, should be attempted for every state and the revenue component of grants assessed accordingly.

3.29 Schemes eligible for capital assistance but not involving re-lending to third parties are divisible into two groups:—

Productive
and non-
productive
schemes

- (i) financially productive schemes, *i.e.* schemes expected to yield revenues, which, after meeting all expenses on their working, maintenance and upkeep are not less than a prescribed percentage of their cost of execution; and
- (ii) financially non-productive schemes, *i.e.* schemes which do not fall in the above group.

Our proposal basically is that loan assistance should be confined to financially productive schemes and that for the remaining schemes assistance should be given in the form of grants, revenue for meeting revenue expenditure and capital for meeting capital expenditure. This seems to us a rational course, for loan creates an obligation on the borrower to make the necessary return and this is to be expected only from financially productive schemes. From the point of view of the states it is harsh to have to give interest on and to repay loans taken for, non-productive schemes which nevertheless have to be undertaken in the national interest.

3.30 Two important ends are sought to be secured by this approach. First, the entire lending arrangement will be rationalized, as we shall presently show. Secondly, special attention will be paid to financially productive schemes and the financial returns from them will be maximised. It is important that the centre should be in a position to locate, among the numerous schemes for which central assistance is sought by a state, those which are productive.

3.31 Loans for productive schemes should be given on the following terms:—

- (i) the loan should be non-repayable but should bear an appropriate rate of interest. A state should, however, be free to refund the whole or part of such loan at any time;
- (ii) the loan should be tied to a scheme or a group of schemes as may be prescribed; and
- (iii) a state should have the option of taking a repayable loan on the usual terms, if it feels that the terms of a non-repayable loan are less advantageous.

It has to be noted that the above terms are based on anticipated returns and not on the returns that will actually be realised. The procedure governing the release of assistance will, by relating it to actual expenditure, ensure that the amount is spent for the purpose for which it is advanced.

3.32 Non-repayable loans for productive schemes will be a novel feature. Such loans will finance productive schemes

Loan assistance for productive schemes

Implications

and, hence, will be comparable to the investments made by the centre in public sector enterprises. Just as these enterprises are expected to pay dividend on investments, states will likewise assure the centre of a minimum return by way of interest charges on non-repayable loans. These terms are no doubt rigorous but rigour needs to be introduced in financial management and in selecting and implementing remunerative schemes. Absence of this rigour, and of criteria of, or even at times the recognition of the need for, profitability has led to imprudent spending in the past. By introducing this discipline the states, in order to cope with their obligations, can be expected to pay more attention to the selection and efficient implementation of schemes and to secure maximum return from them. If the payments to be made to the centre are not covered by receipts from these schemes the fact can quite legitimately be commented upon by audit, a corrective that is not available in the present system.

3.33 In the non-plan field, identifying productive schemes will not present much difficulty as loan assistance is determined separately for each type of scheme. To identify ^{Identifying financially productive schemes} productive plan schemes, it will be necessary to:—

- (i) conduct a detailed survey of sectors like agricultural production, irrigation, power, industries, transport and communications with a view to segregating schemes which are likely to be productive;
- (ii) examine schemes so segregated intensively. The objective should be to prescribe the minimum rate of financial returns that a scheme or a group of schemes should be expected to yield. Wherever possible, upper limits for the capital and maintenance expenses on the schemes as well as norms in regard to the cost of execution should be prescribed, keeping in view the objectives the scheme or schemes are supposed to fulfil, their location and so forth. In the case of a composite scheme like a multipurpose project, the productive part of the scheme should be separated and a minimum rate of return, ceilings on recurring

expenses and cost norms should be prescribed for it;

- (iii) prescribe the patterns of loan assistance that different categories of productive schemes will be afforded. As mentioned in paragraph 3.31 above loan assistance may be tied to individual schemes or groups of schemes as may be found convenient. Productive schemes, however, should not be eligible for grant assistance, tied or untied; and
- (iv) survey and examine state plan schemes continually. The object should be to identify as many productive schemes as possible, to lay down new standards and to bring up to date existing standards.

Financial
productivity
and other
plan criteria

3.34 The main idea is to promote the efficient implementation of schemes, without detriment to either the other economic criteria or the plan objectives which determine the inclusion of such schemes in the plan. Thus the rate of return that a scheme should be required to yield may vary from sector to sector or from scheme to scheme and there need not be a single minimum rate for all schemes. The criterion of financial productivity, therefore, need not come in the way of plan formulation techniques. On the other hand it should help to maximise, through the proper execution of schemes, other economic benefits as well. There will thus be a renewed emphasis on "productivity" in the wider sense of the term.

Agency to
identify
productive
schemes

3.35 The question arises as to which central organisation will identify productive schemes and lay down norms. This work is intimately connected with plan formulation and the financing of the plan, and hence, we feel, should be undertaken by the Planning Commission, in consultation with the Ministry of Finance and other central ministries concerned. The final decisions in regard to the patterns of loan assistance will naturally have to be taken by the Ministry of Finance in consultation with the Commission.

Scrutiny of
productive
schemes by
centre

3.36 It may further be necessary for the centre to scrutinise certain categories of productive schemes in the state plans before approving loan assistance for them. For example

a scheme whose estimates depart significantly from approved norms or whose total cost exceeds certain prescribed limits may be examined in detail by the centre. It is, however, difficult to visualise at this stage what schemes will need scrutiny at the centre, which agency will scrutinise them and what type of scrutiny will be exercised. These are matters which the centre will have to decide from time to time in the light of the experience gained in working the new scheme of plan financing.

3.37 Financially non-productive schemes should be eligible for capital grants. To prevent the use of these grants for revenue expenditure they should be tied to the estimated capital outlay on the state plan as a whole (excluding loans to third parties). Within this broad framework, the principles suggested in Section II for the utilization of plan grants should be applicable here. Thus, reappropriation should be freely permitted except that grants for schemes or groups of schemes considered crucial or of national importance should be tied.

3.38 Capital grants are not an unknown feature. Such grants are given even now for purposes like slum clearance, rural housing, border roads and water supply and sanitation programmes. The present practice is that these are written back to revenue over a period of 15 years, on the ground that the grants do not create any concrete assets for the centre and ought, therefore, to be met from revenue. But, as explained in paragraph 3.22 above, the centre should take the view that, when a state creates or acquires durable assets with the help of the capital funds of the centre, the main purpose of raising those funds is fulfilled in the same manner as when capital funds are used for creating or acquiring the centre's own durable assets. There should, therefore, be no need to write back these capital grants to revenue.

3.39 It is true that an asset may be financially non-productive and yet increase the revenue-earning capacity of the government concerned (*e.g.*, roads). It would appear that the centre, when it gives a capital grant instead of a repayable loan to a state for expenditure on an unproductive asset, deprives itself of interest charges and also derives no share

in the indirect benefits that might accrue to the state from the asset. But this, as already explained earlier, is only superficially true, for any increase in the revenues of a state on account of the saving in interest charges and the indirect benefits resulting from the asset means a reduction in the revenue grant assistance to be provided by the centre for plan and non-plan purposes. The net loss of revenues to the centre would not be significant.

Miscellaneous
development
loan to be
discontinued

3.40 It will be observed that, in the new proposal, specific purpose loans from the centre will finance only capital expenditure in the states and that there will be no place for a non-descript loan such as the miscellaneous development loan, which has provided an easy means of departing from the priorities laid down for the plan. The device of the miscellaneous development loan must, therefore, disappear in the new scheme of things.

Financial
implications

3.41 We shall now attempt to estimate in a broad way the possible repercussions of the above proposals on the centre's resources. It would be of interest to note that the gap between new loans advanced to the states and repayments from the states has increased from Rs. 698 crores in the First Plan period to Rs. 1,052 crores in the Second and Rs. 2,078 crores in the Third. In the Fourth Plan period it is likely to be of the order of Rs. 2,800 crores. The widening gap is explained by the heavy increase in outlay in successive plans, the outlay in any plan period being roughly twice the outlay in the previous period (Appendix 8). In keeping with this trend, loan assistance has progressively increased. Thus there is, on the one hand, a large transfer of capital resources in the shape of loan repayments from the states to the centre and, on the other, a large transfer of these resources to the states as fresh loan assistance, giving an air of unreality to the whole exercise. The widening gap between fresh loans and loan repayments shows that even if a moratorium were given on all repayments the centre would still have sizeable capital resources left from which to grant assistance to the states. But the actual effect of our proposals will fall far short of a total moratorium.

3.42 As the criterion of financial productivity has not figured very prominently in plan formulation it has proved difficult to collect reliable data about the extent to which central loan assistance has been utilised for financially productive schemes. Moreover, as loan assistance for state plan schemes is released by heads of development and as a large part of the assistance is given in the form of the miscellaneous development loan, it is also difficult to arrive at any firm conclusion about the extent to which central loans have been utilised for re-lending purposes. Nevertheless, to see whether the arrangements proposed will stand the test of practicability, it would be worthwhile attempting an estimation, however rough, on the basis of some *ad hoc* assumptions. These assumptions, we know, are challengeable, but no sophisticated analysis being possible for lack of reliable data, they can at least help us form some idea of the practical effects of our proposal.

3.43 By treating irrigation, power and industries as productive sectors (without attempting to lay down a minimum rate of return), and the remaining sectors as either partially productive or totally unproductive, we have roughly estimated that, out of the total assistance (plan and non-plan) of Rs. 3,100 crores paid to the states in the Third Plan period, loans amounting to Rs. 1,000 crores were utilised by the states for productive and partially productive schemes and Rs. 600 crores for non-productive schemes, while the balance represented either general purpose loans or loans utilised for re-lending.

Working this scheme backwards we find that if the proposal to give non-repayable loans and capital grants for productive and non-productive schemes respectively had been brought into effect in the Third Plan period, roughly 50 per cent of the total capital assistance would have been in the shape of such loans and grants. Assistance in the shape of repayable loans would have decreased by a corresponding amount. In view of what has been said in paragraph 3.41 above, this would not have impaired the resources position of the centre. Nor would the net assistance to the states have been affected.

Some salient
features of
proposed
system

3.44 It would be pertinent to observe here that these proposals do not seek to modify the techniques of plan formulation or the size of the plans. Denial of loans for schemes at present qualifying for them will not mean denial of assistance, for such schemes will be eligible for grants. What the new scheme purports to achieve is to place the transfer of resources on a more rational and realistic basis without affecting the volume of resources available for the centre for its own plans or the volume of resources available to the states for theirs.

3.45 The scheme of loan financing suggested in this chapter gives the states greater discretion in certain areas and also aims to reduce their interest and repayment burden to reasonable proportions. It should not for that reason be misunderstood as something which will usher in an era of unchecked and unpreventable state irresponsibility. In regard to loans issued for remunerative purposes the centre will in fact have more control than at present to ensure that its funds are invested wisely and well. This is because the scheme envisages careful scrutiny of state schemes before declaring them eligible for loan financing. There is also the point that the scheme does not visualise the possibility of states securing grants for schemes which should be regarded as productive. In addition, we would suggest that procedures for releasing loan assistance for remunerative schemes should be such that they ensure the utilisation of funds for the purpose to which they relate. Furthermore, we would also suggest that if a scheme adjudged as remunerative and thus eligible for loan assistance is operated by a state in a fashion that turns it into an unremunerative scheme, the state concerned should nevertheless be required to pay the stipulated interest on the loan taken, and that, at the time of a five-yearly assessment of the non-plan needs of the state, such interest charges should not qualify for grant assistance. This should provide adequate discipline to prevent diversion of loan funds to unauthorised purposes and also to ensure economic implementation of the schemes concerned. In regard to block loans issued for plan purposes, this kind of sanction will, of course, not be available, but we consider that the states could be ex-

pected to conform to certain minimum standards of financial performance which would rule out the possibility of the suggested arrangement resulting in confusion or chaos. It has to be borne in mind that states have to come to the centre for loans, and this gives the centre a powerful position from which it should be able to operate the proposed scheme of loan financing without much difficulty. The ultimate sanction in the case of states which persistently misuse loan funds or default in any other way is always available to the centre in the form of denial or reduction of further loan assistance to such states.

3.46. The system suggested by us has the following advantages:—

Advantages
of proposed
system

- (i) as a substantial part of capital assistance will not have to be paid back there will be a considerable easing of the burden of loans on the states;
- (ii) the loss of resources to the centre will only be notional as under the existing arrangements repayments of loans are routed back to the states as fresh loan assistance;
- (iii) the states (and the centre) will become cost conscious and will pay greater attention to maximising financial returns from state schemes;
- (iv) the financial results of the working of productive schemes can be scrutinised by audit. This will provide a valuable tool for judging the efficiency of implementation;
- (v) it will be ensured that capital assistance does not finance revenue expenditure incurred by the states; and
- (vi) the states will have to ensure efficiency in implementing the schemes as they will have to pay the prescribed interest irrespective of returns.

3.47 It has been suggested to us that loan assistance to state for financing large projects in sectors like irrigation power, industry and transport should be channelled through

Creation of
a National
Development
Bank

a National Development Bank. The object is to introduce a banker's approach so that the technical feasibility and financial viability of a scheme can be subjected to the appraisal of a competent and objective authority. The Development Bank, it is expected, will be immune to political pressurising and will be in a better position than the Central Government to (i) determine loan assistance on purely business considerations, (ii) enforce efficient implementation of schemes and (iii) ensure proper servicing of loans. The bank will also be able to give competent technical advice where needed.

Drawbacks

3.48. The concept of having an independent authority for financing large schemes is no doubt attractive. But, as an institution set up by the centre and with nominees of the centre on its board of directors, it is difficult to say whether such a bank can in practice act independently of the centre. If each individual state is represented on the board, problems of pressure-politics, lobbying and partiality will only increase. Besides, applying sanctions against defaulting states may prove difficult. We have the instance of the Reserve Bank experiencing difficulty in taking effective steps against states which resort to unauthorised overdrafts. Moreover, the Development Bank will have to work in close co-ordination with the Ministry of Finance and the Planning Commission. Should the bank fail to establish rapport with these authorities it will very likely come in for criticism at the hands of the centre as well as the states. This will certainly place the bank in an embarrassing position and impede its proper functioning. Further, it will need a large contingent of technical staff to assess the techno-financial feasibility of schemes in the various sectors and watch the progress of their implementation. This will mean duplication of the work that will have to be done as part of plan formulation by central ministries and their technical organisations like the Central Water and Power Commission.

In view of all these difficulties we feel that the rationalisation of the creditor-debtor relationship of the centre and the states does not in itself call for the establishment of such an institution.

3.49 The system of loan-financing outlined by us takes ^{Treatment of existing debts} care of loans to be given in the future. Central loans which are outstanding pose certain special problems for which also a solution has to be devised. Treatment of these debts will necessarily have to be considered in the context of the centre's own debts, its repayment obligations, and its resources position. The steps that we think should be taken to resolve this problem are outlined below:—

- (i) that portion of the outstanding debt of each state which has been utilised for re-lending to third parties should first be determined. Repayment of this portion to the centre should be insisted upon and should present no difficulty;
- (ii) a comprehensive survey should be undertaken of the investments made by the different states with the help of central loans and a realistic assessment made of the proportion of the outstanding loans which can be linked with productive assets. A repayment programme should be drawn up for each state for the productive part of its outstanding central loans, keeping in view the returns expected. Converting the productive part of the debt into an interest-bearing non-repayable loan can also be considered;
- (iii) the burden of the remaining part of the debt, against which no financial return can be expected, may be apportioned between the centre and the states and a method devised of writing it off to revenues over a period of time.

3.50 The whole problem of outstanding central loans to states will thus have to be examined from the long-range point of view and will need to take into account the effect of the steps proposed on the finances of the centre and the states. As the problem is of considerable complexity and is likely to prove time-consuming, we recommend that the matter should be referred to the expert body the establishment of which we have recommended in Chapter II. The items that it could look into have been listed in Appendix 2.

Amortization
of debt

3.51 A programme drawn up for the repayment of the productive part of the outstanding central loans to the states will bring up the question of amortizing loans from revenue. A financial practice accepted as sound is to extinguish loan obligations either by making amortization arrangements or by repaying loans from revenues. Towards the end of the First Plan the states started experiencing difficulties in balancing their revenue budgets, mainly on account of the increased borrowings for the purpose of implementing their development plans. On the ground that all resources were being mobilised for financing the plan and that no real revenue surpluses were available the centre in 1955 advised the states that they should repay loans from their capital resources and make provision for only such sinking funds as they were bound to set up in accordance with any law or with any specific undertaking given in the case of any loan. Since then, no uniform practice in regard to amortization has been followed by the states.

3.52 If the system of loan financing proposed here is introduced and the problem of existing debts tackled in the manner recommended by us the total indebtedness of each state will be reduced to reasonable proportions. It may then be possible to introduce the sinking fund method for the amortization of outstanding loans and to make provisions in this behalf at the time of the five-yearly assessments of non-plan needs. The rate at which contributions to the sinking fund should be charged to revenues, the period over which debts should be extinguished, and the manner in which the revenues set aside should be held or invested, are matters of detail which should also be worked out by the proposed expert body.

UNAUTHO-
RISED
OVER-
DRAFTS

Need for
financial
discipline

3.53 The entire discussion in the foregoing paragraphs pre-supposes that state governments comply with the customary restrictions of the budget and strive to adhere to the terms of any agreement or undertaking which they may have entered upon. It will readily be conceded that if there is lack of financial discipline all procedural reforms will be fruitless. Restrictions on the use of central loans will have

no meaning if a state indulges freely in overdrafts on the Reserve Bank and, for clearing them, relies on *ad hoc* central assistance being provided. This tendency, unfortunately, has been greatly on the increase in recent years and cannot but cause concern for the financial health of the country as a whole.

3.54 Overdrafts for short periods can occur in spite of best efforts to prevent them e.g. when, in the event of a natural calamity or the purchase of food stocks, large payments have to be made at short notice. Overdrafts may also be seasonal as when, at certain periods of the year, revenues invariably fall short of expenditure. Such overdrafts are understandable and need cause no concern. They offend the letter and not the spirit of the law. Perhaps to legitimize them the limits of authorised overdrafts could be raised so as to accommodate seasonal fluctuations. If necessary, the possibility of having different limits for different quarters of a year could also be considered.

3.55 This consideration to a state over its seasonal unauthorised overdrafts implies that at the close of the cycle, say the year (or shorter period), the unauthorised overdraft will disappear. A persistent overdraft, however, (with no extraordinary circumstances such as a continuing drought to justify it) shows the state's inability, or unwillingness, to balance expenditure against receipts. The inability may arise from a faulty reporting system in the state government. Thus a state which is unable to keep a proper watch over its incomings and outgoings may not be able to take timely steps to curtail its expenditure if the resources actually realised fall short of the resources anticipated. A remedy for this would be to strengthen the reporting system so that a single agency in the state government receives prompt and up-to-date information in regard to the receipts and payments occurring on behalf of the state. A remedy on these lines has been suggested by the Study Team on Financial Administration. Much the greater problem is, however, presented by wilful overdrafts by states undertaking programmes in full knowledge of the fact that the requisite resources are not

available and possibly without effecting all possible economies.

3.56 Of the two remedial measures provided by the law, i.e., stoppage of payments on behalf of the defaulting state by the Reserve Bank and, in the last resort, the declaration of a financial emergency by the President bringing the management of the finances of the state and, by implication, its administration under his control, the first has grave administrative and the second equally grave political repercussions. These remedies have, therefore, never been applied. (This only serves to emphasize a truth that is even otherwise obvious, that lack of financial prudence on the part of a responsible government cannot be remedied by mere organisational or procedural improvements). The tight resources position of the states has also made recourse to overdrafts unavoidable to some extent and has morally inhibited the application of these correctives. The enforcement of discipline requires conditions in which it can be practised. Our proposals in this and the last chapter are designed, among other things, to give the states more elbow room and to enable and indeed compel them to exercise responsibility. They can, therefore, justifiably be expected to exercise the discipline that must accompany responsibility. If irresponsibility persists, its treatment will not be so much a matter of administrative reform as of the will that the centre can summon and the tactics that it can employ to chasten a wayward state.

SUMMARY
OF
CONCLUSIONS

3.57 (1) Central loans to states like their share of small savings and ways and means advances which are not tied to any specific purposes may continue to be given to the states as at present.

(paragraph 3.24)

(2) (a) Loans to states for re-lending purposes should constitute a category by themselves and made repayable on existing terms and conditions.

(paragraph 3.25)

(b) No change is necessary in the existing procedures for non-plan loans earmarked for re-lending. As regards plan loans, a block amount should be loaned to a state for re-

lending in a particular year, after assessing its broad lending requirements according to its plan. Loans for crucially important programmes may be issued in a tied form so that they are utilised only on these programmes.

(paragraph 3.26)

(3) Capital assistance for specific purposes should not finance expenditure booked in the revenue section of the accounts of a state.

(paragraphs 3.27 and 3.28)

(4) A financially productive scheme, plan or non-plan, should be eligible for an interest-bearing non-repayable loan. The state should have the option of repaying the whole or a part of the loan at any time. It should also have the option of taking a repayable loan on the usual terms, instead of a non-repayable loan.

(paragraph 3.31)

(5) (a) Financially productive schemes included in state plans should be identified. Keeping in view the main purposes of such schemes, minimum rates of financial return, and where possible, upper limits for the capital and maintenance expenses as also norms in regard to cost of execution should be prescribed.

(b) Patterns of loan assistance for the above schemes should be evolved. Such assistance may be tied to individual schemes or groups of schemes. Productive schemes should not be eligible for grant assistance.

(c) The Planning Commission, in consultation with the Ministry of Finance and other central ministries concerned, should survey and examine state plan schemes continually with the object of identifying productive schemes, laying down new standards and bringing up-to-date existing ones.

(d) The centre should decide what types of productive schemes should come up to the centre for scrutiny before loan assistance is allowed for them.

(paragraphs 3.33 to 3.36)

(e) A non-plan scheme, before being sanctioned capital assistance, should be classified as financially productive or

non-productive as the case may be and assisted accordingly.
(paragraph 3.33)

(6) (a) Financially non-productive schemes should be eligible for capital grants. These grants should be tied to the estimated capital outlay on the plan (excluding loans to third parties). Capital grants for schemes or groups of schemes considered crucial or of national importance should be tied.
(paragraph 3.37)

(b) There should be no need to write back capital grants to revenue in the accounts of the Central Government.
(paragraph 3.38)

(7) The device of the miscellaneous development loan should disappear under the proposed system of loan-financing.
(paragraph 3.40)

(8) The problem of dealing with outstanding central loans to states as also the question of the setting up of sinking funds for the amortization of debt should be referred to an expert body along with the issues concerning devolution. Possible terms of reference have been listed at Appendix 2.
(paragraphs 3.49 to 3.52)

CHAPTER IV

NON-STATUTORY NON-PLAN GRANTS

4.1 It has been pointed out that there are two channels for transferring revenues in the shape of grants from the centre to the states. One is provided by Article 275 of the Constitution. This Article appears in the section dealing with the "Distribution of Revenues between the Union and the States" and was intended to serve as the main provision for grants to the states, grants here being unconditional. The second is provided by Article 282 which is one of the "Miscellaneous Financial Provisions". Its use for devolving large sums to states as conditional grants of a discretionary nature has been the subject of considerable controversy, particularly because this raises the question whether the giving of large conditional grants as a regular measure year after year is consistent with the concept of the states being operationally independent units with clearly demarcated spheres of executive authority. This chapter examines the scope of Article 282, the constitutionality of its use for giving conditional grants and the principles of its application for non-plan purposes. The impact (as distinct from the legality) of the present system of grants on the development side is dealt with in Section II of this report.

4.2 Article 282 has a history which assists in understanding its scope. The Government of India Act, 1919, provided for a division of functions between the centre and the provinces. The Devolution Rules framed under the Act made illegal any expenditure from the central revenues for provincial purposes and *vice versa*, and this gave rise to considerable inconvenience. The draft Government of India Bill which later became the Government of India Act, 1935 sought to avoid such a situation and provided a clause to the effect that it would be lawful for the federation to make grants for any provincial purpose and for a province to make grants for any federal purpose. It was later noticed that this

provision might not permit the federation to make a grant to an organisation the activities of which, though relatable to a "provincial" subject, were not confined to any particular province. The draft clause was, therefore, amended to enable the federation as well as the provinces to make grants for any purpose. Finally, when the Bill was passed, the clause (as amended) shed its marginal heading "Power of Federation and Provinces to make grants" and became the second sub-section of a section (150) the first sub-section of which provided that federal or provincial money should be applied to purposes within India only. The section carried the marginal heading "Expenditure defrayable out of Indian revenues".

4.3 The provisions in the Government of India Act, 1935 in regard to the distribution of revenues between the federation and the provinces came under the heading "Distribution of Revenues between the Federation and the Federal units" in Part VII—Chapter I of the Act. (The provisions in the present Constitution relating to these matters owe their genesis to, and closely follow, those of the 1935 Act). Sub-section (1) of Section 150 had nothing to do with the distribution of revenues between the federation and the units, nor with any of the other major heads under which the financial provisions of the Act were spelt out. It appropriately, therefore, found a place under the heading "Miscellaneous Financial Provisions".

4.4 It is clear therefore, that despite separate arrangements in the 1935 Act for the distribution of revenues between the federation and the units a residuary channel for making grants to the provinces was provided in the form of Section 150(2). No restrictions were laid down regarding the purposes for which these grants could be made. The provision appears first to have been made use of in 1943-44 when special assistance was given by the centre to Bengal in connection with famine. Thereafter, grants were given on various accounts like post-war development, grow more food, and relief and rehabilitation. At the time of the framing of the Constitution the Expert Committee on the Financial Provisions recommended the inclusion of Article 203 of the

Draft Constitution (which finally became Article 282 of the Constitution) for making specific purpose grants. Sub-section (2) of Section 150 has thus appeared as Article 282 in the Constitution, the only change being that the grants under Article 282 are for "any public purpose" while those under Section 150(2) were for "any purpose". Sub-section (1) of Section 150 has not found a place in the Constitution as it would have been incongruous, after independence, to restrict the expenditure of the centre or a state to purposes within the country. But the marginal heading of Section 150 has been retained in much the same form: it speaks of "Expenditure defrayable by the Union or a State", although the Article deals with "grants" only. With the deletion of Section 150(1) the marginal heading seems to be inappropriate.

4.5 From the standpoint of the Constitution, the states' ^{SCOPE OF} shares of the revenues raised by the centre are fully ^{ARTICLE} ₂₈₂ determined by Articles 268, 269, 270 and 272, which deal with the distribution of certain taxes and duties and by Article 275, which deals with grants-in-aid to states in need of assistance. The logical inference is that Article 282 was intended, not to enable the centre to make regular grants to a state, but to serve as a residuary provision enabling the centre as well as the states to make grants for any "public" purpose.

4.6 It has been argued in this connection that the purpose of Article 282, as indicated by its marginal heading, is to validate expenditure incurred by the centre or a state on a subject not falling within its executive jurisdiction, and that such expenditure could be direct and not necessarily limited to giving of grants. This seems to us to be erroneous for the substantive article is clear enough and it does not validate direct expenditure. When the main provision is unambiguous the marginal heading (which itself is vague) cannot be used to interpret the article, particularly when it has been shown to be an obsolete remnant that should have been discarded along with Sub-section (1) of Section 150 of the 1935 Act. Unnecessary confusion has been caused by this heading but there cannot be any doubt that the Article covers only grants and not direct expenditure.

4.7 It has also been averred, notably by the Chairman of the fourth Finance Commission in a separate minute appended to the report of that body, that Article 282 "was not intended to enable the Union to make a grant to a state as such", that the Article should be used only "for the purpose for which it was originally intended" and that a specific provision may be added to the Constitution to enable the Union Government to make conditional grants to the states for implementing projects. The original intention has not been clarified in that minute and the earlier paragraphs of this chapter have tried to bring out what it really was. These make it clear that the corresponding provision in the 1935 Act envisaged the making of specific purpose grants, among others, to the provinces. Any lingering doubt on this score should be settled by a reference to the report of the Expert Committee on the basis of which the present financial provisions in the Constitution were adopted. "It is clear", said the Expert Committee, "that during the developmental stages of the country it will be necessary for the centre to make specific purpose grants to the Provinces from time to time". It is probably true that the Expert Committee could not have visualised the massive extent to which recourse would be taken to this provision. It is also possible to argue from this that, had it been the intention of the Expert Committee to make this one of the principal provisions for the transfer of large-scale assistance to provinces for their development schemes, the clause should correctly have found a place under the heading "Distribution of Revenues between the Union and the States" rather than under "Miscellaneous Financial Provisions". But this is really an objection to the extent to which the provision has been used and not to the purpose for which it has been used.

4.8 The legality of the present use of Article 282 cannot, therefore, be questioned. The arrangement, however, though not unconstitutional, is not neat. The remedy that a separate article included under the heading "Distribution of Revenues between the Union and the States" so as to enable the centre to make conditional grants to states would

certainly make it clear that Article 275 is not the only provision under which the centre assists states by means of grants. But, apart from this, there would be no practical advantage from what would amount merely to a shifting of the provisions of Article 282 from one place in the Constitution to another. A simpler proposition would be to amend the marginal heading of Article 282 to read "Grants by the Union or a State for any public purpose" so as to indicate the real purpose of the Article. The present marginal heading is a dispensable legacy of the earlier section of the 1935 Act and has possibly been unwittingly incorporated. With the deletion of the first sub-section of Section 150 of that Act this marginal heading is no longer applicable and its continuation is meaningless. We would, therefore, recommend its deletion.

4.9 In view of the unmistakable intention of the Article as brought out above and the recognition of the need for conditional grants to fulfil the objects of a national plan, it is not a little surprising that the attack on Article 282 should have been focussed on its use for plan rather than for non-plan purposes. For it can more cogently be argued that the financial requirements of the states on the non-plan side should be met by assured grants under Article 275 and that, as conditional grants fetter the initiative and independence of action of the grantee in spheres exclusively reserved for it. Article 282 should not normally be used for giving non-plan grants. And yet substantial non-plan grants have been made forming, as Appendix 9 shows, 21 per cent of the total of all types of grants (statutory and non-statutory) passed on to the states during the Third Plan period.

4.10 The argument given in the last paragraph has for its basic premise the postulate that the entire non-plan needs of a state are covered by the devolution of taxes and grants under Article 275. Any additional grants that the state needs should be for purposes which are either sudden and unforeseen or such as could not be provided for at the time of the five-yearly assessment of non-plan needs. For such unforeseen needs the use of Article 282 for giving non-plan grants would

appear to be in order as long as the conditions, if any, attached to the grants do not seek to perpetuate central control over programmes and schemes which are a state's legitimate concern. At the same time it does not appear advisable to impose any constitutional restrictions on the power of the centre or a state to make grants because flexibility is useful in meeting unforeseen situations. Such restrictions might have been called for if the existing elasticity were abused, but a review of non-plan grants that follows shows that this is not so. This inference is particularly supported by the fact that as much as ninetythree per cent of all such grants are made for purposes essentially "central", as compensation for tax on railway passenger fares, from the Central Road Fund and for meeting large and unforeseen liabilities *vide* Appendix 10. Broad principles can and should, however, be laid down for the guidance of central ministries in the use of the Article. For this a look at the existing non-plan grants and the purposes for which they are given is necessary.

NON-PLAN GRANTS IN THE CON. TEXT OF FINANCE COMMISSION'S REPORT 4.11 In assessing the needs of states, the Finance Commission makes certain adjustments in order to secure uniformity in classification and mentions in its report various items of receipts and payments that it has taken into account or omitted as the case may be. For example, it indicates the margin that it has allowed to each state for meeting unforeseen expenditure on natural calamities. When additional assistance has to be given to a state for a non-plan purpose, the Ministry of Finance determines, with reference to the report of the latest Finance Commission, whether any provision has been made by the Commission for that purpose. Thus in the case of expenditure on natural calamities central grant assistance is limited to half the expenditure incurred by a state in excess of the "margin" allowed by the Finance Commission.

4.12 The fourth Finance Commission has been more specific than the previous Commissions and has mentioned the non-plan grants that the Commission assumed will continue to be received by the states on the existing basis. The Commission has explained that the revenue deficits and surpluses of the states have been arrived at after taking credit

for these grants. Although the Finance Commission has not given any specific reasons for making such an assumption, the grants concerned—(e.g., implementation of gold control rules, rehabilitation of displaced persons etc.), are in general for such schemes as involve expenditure the magnitude of which cannot be forecast with any accuracy. The Ministry of Finance has, therefore, adopted the principle that the non-plan grants other than the above should not normally be continued.

4.13 A break-up of all non-statutory non-plan grants, classified according to their purposes, is available at Appendices 11 to 16 which contain also our recommendations on them. Briefly, these grants can be divided into four broad categories:

- I—grants for schemes which, by their very nature, have to be implemented by the states under central control or supervision;
- II—grants to assist states in carrying out schemes which fall within their executive control;
- III—grants to meet a large liability which is either unforeseen or of an indeterminate magnitude; and
- IV—grants paid in pursuance of an understanding or agreement between the centre and a state.

4.14 The first category of grants can be grouped, according to their purposes, as follows:—

Grants for
central
purposes

(A) *Grants for purposes which are purely "central"*

It will be seen from the brief details given in part 'A' of Appendix 11 that "Maintenance of mental patients evacuated from Pakistan", "Payments to police force", "Construction and maintenance of border roads", "Rural housing research-cum-training-cum-extension centres" and "Flying training schools run by state governments" are schemes for activities falling clearly within the jurisdiction of the centre and that the states should, therefore, be regarded as implementing these schemes on behalf of the centre. It is, therefore, suggested that such payments to the states should be treated as the direct expenditure of the centre under Article 258 of the Constitution and not as grants under Article 282.

(B) *Grants for schemes in regard to which the centre has undertaken a specific responsibility*

[Details of the grants coming under this category will be found in part 'B' of Appendix 11].

(i) *Inter-State Exchange of Cultural Troupes*

Except for the expenses incurred by a state on collecting the members of a troupe at the point of assembly within the state the expenditure on the scheme is borne by the centre in full. If the exchange of cultural troupes were regarded as merely a means of encouraging and fostering the arts the scheme would have to be treated as primarily a "state" activity. On the other hand the declared purpose is "emotional and cultural integration", a subject which does not find a mention as such in any of the three lists in the Seventh Schedule of the Constitution. To treat it as a residual and thus a "central" subject may present difficulties. For one, the subject as stated is vague. Each activity pursued in furtherance of such integration is likely to be covered by some item or other in the three lists. It may not be correct, therefore, to treat the entire subject as central. If despite this it were to be treated as central, it may possibly have the effect of shackling the states who should certainly not be prevented from undertaking such activities of their own accord and from their own resources. In this specific case the most appropriate course would be to include the scheme in the states' plans and not to treat it as a non-plan item at all.

(ii) *National Prize Competition for Children's Books in Regional Languages*

Encouragement of children's literature in a regional language is meant to help educational development and hence is primarily a state's responsibility. And yet central initiative is not undesirable here. It is suggested that expenditure on prizes on the basis of such a competition, whether in children's books, agricultural production in each district, or any other subject of national importance, should be treated as a plan scheme of the states. Being a repetitive item, the award of prizes can continue as a plan scheme in every plan period.

(iii) *Award of Community Prizes for Increasing Agricultural Production*

An inter-state competition can appropriately be held by the centre alone. There should, therefore, be no objection to a state being given an award for achieving a prescribed increase in the production of foodgrains. But this could well be a plan scheme.

However, encouraging districts within a state should be entirely the state's business. In other words, awards to districts should properly be made by the states themselves. As suggested in (ii) above, the payment of awards to districts could be treated as a plan scheme of the states.

(iv) *Scholarships for Studies in Public Schools in India*

This scheme clearly relates to "education", a state responsibility. It is, therefore, suggested that the centre should merely co-ordinate the selection and placement of scholars and leave to the states concerned to make financial provisions for these scholarships and to settle details of administration like preliminary selection, payment of travelling allowance etc. That part of the expenditure on scholarships which is now treated as central plan expenditure should be treated as part of the states' plans. The additional expenditure that the states may have to incur can be taken care of at the time of the five-yearly assessment of non-plan expenditure. The present grant should, therefore, be abolished.

(C) *Grants for joint participation*

Part 'C' of Appendix 11 gives details of the schemes in which the centre and the states jointly participate. A characteristic of these schemes (viz. the Small Savings Scheme and the National Sample Survey Scheme) is that the centre as well as a state are well within their rights in embarking on them. In fact, the centre and the states, as a matter of mutual convenience, have evolved an arrangement for co-ordinated action. Such an agreement or understanding would not appear to be open to objection. Article 298 of the Constitution empowers the centre and each state to enter into a contract for *any* purpose without constitutional impropriety. It would perhaps

be too technical a view to take that every agreement or understanding that the two governments arrive at should be ratified by a formal contract executed in the manner prescribed in Article 299. The payments that the centre makes as its share of expenditure on these schemes would, therefore, appear to be justified.

To the extent that a scheme subserves a "central" purpose (which is clearly the case in respect of both the schemes mentioned above), the states can be deemed to be performing functions on behalf of the centre. It would, therefore, be more correct to treat the centre's share of the expenditure on the scheme as its direct expenditure instead of as a grant to the states. As a matter of fact the centre's share would have to be so treated had there been a formal agreement to share expenditure on the scheme.

Grants for
state
purposes

4.15. The grants which fall under the second category can be grouped as follows:—

(A) *Grants for schemes and programmes which do not now need supervision by, or financial aid from, the centre*

Items 1 to 9 of part 'A' of Appendix 12 give brief details of grants for purposes which fall in the State List. The schemes appear to be well-established in the states, which should not now need any financial inducement to continue them. Mention may be made here of the "Indo-Norwegian health projects in Kerala" (Item 1) which should, in fact, have been included in the state plan for Kerala.

Items 10 to 19 give details of grants for purposes which fall in the Concurrent List. Of these, the grant for "Archaeological excavations" appears unnecessary as any expansion of the programme of excavations should be undertaken by the centre or a state from its own funds, the centre employing a state as its agency wherever necessary. As regards the "Workers Social Education Institute, Indore", the scheme has shed its pilot character and the Government of Madhya Pradesh, which benefits from the scheme, should be willing to bear the entire expenditure. The schemes at items 12 to 19 relate to the training of craftsmen, employment and relief

and rehabilitation. The continuance of these grants, it appears, was assumed by the fourth Finance Commission. But, as the liability of a state in respect of these schemes is not an indeterminate amount, it should be possible at the time of the next assessment of non-plan needs to take into account the estimated expenditure on them. In other words, these grants could be discontinued during the next plan period. To enable the centre to discharge its responsibilities towards training services and especially in the maintenance of all-India standards, suitable legislation may be passed by Parliament where necessary.

(B) Grants to assist states for schemes entrusted after the Finance Commission's award

There are two such grants, brief details of which may be seen at part 'B' of Appendix 12. One of the grants is for the "National Fitness Corps." If this scheme, as has been proposed, is decentralised and handed over to the states, the grant may have to continue till the end of the current plan period. It may be pointed out that as the scheme furthers an activity that falls essentially in the State List, there was hardly any justification for treating it as a central responsibility.

The second grant is for the "Production of live oral polio vaccine at the Haffkine Institute, Bombay". The assistance is to meet the expenditure on the building and equipment for the manufacture of the vaccine on a large scale, the condition imposed by the centre being that the vaccine manufactured should be made available to it on a "no profit" basis, should it require the vaccine for any of its programmes. The straight-forward course would have been for the centre to give a loan for this scheme and then purchase the vaccine at the usual rate. If it wished to sell the vaccine again at lower rates it could have done so by means of appropriate subventions. Even if a grant had to be given, it should have been given as a part of the plan if necessary, over and above the amount otherwise earmarked as assistance. The scheme should appropriately have been included in the state plan.

(C) *Grants to induce states to continue plan schemes under central supervision*

An example of such a grant, which is given to meet "committed" expenditure, may be found at part 'C' of Appendix 12. According to the Department of Social Welfare, the scheme "Employment organisation for the handicapped" did not take firm root in the Third Plan. The department fears that the states may give up the scheme if central assistance is stopped.

Instead of continuing this grant for an indefinite period, suitable legislation could be passed enabling the centre to take up the scheme as a central scheme (which could be implemented by the states as agencies under Article 258) or making it obligatory for the states to provide employment facilities to the handicapped in accordance with such guidelines as the centre may lay down. In the latter event the expenditure on such facilities could be taken into account at the time of the five-yearly assessment of the non-plan needs of the states.

4.16 Appendix 13 gives details of the third category of grants viz., those given to assist states to meet large liabilities which are either unforeseen or of an indeterminate character. The use of Article 282 for this category of grants seems appropriate. *Ad hoc* demands for assistance from states (e.g. on account of increase of dearness allowance to state employees) will have to be considered individually and the quantum of assistance determined by the centre after taking into account its resources and commitments. This incidentally answers the criticism of some that the Constitution provides no mechanism for giving assistance to the states for meeting large unforeseen liabilities arising after the award of the Finance Commission. Article 282 does provide such a mechanism.

4.17 Appendix 14 gives details of the fourth category of grants mentioned in paragraph 4.13 above, viz., grants paid in pursuance of an understanding or agreement between the centre and a state. There are two such grants, viz., "Grants in lieu of tax on railway passenger fares" and "Subsidy to the Mysore Government". As the subsidy to the

Grants for unforeseen or indeterminate liabilities

Grants paid on the basis of an assurance to states

Mysore Government is in compensation for the loss of tax on electricity and this loss was covered by the fourth Finance Commission's award, the subsidy will cease from 1967-68. Grants of this type would appear to be justified so long as the commitment or assurance behind them continues to have a practical significance.

4.18 Two grants need separate mention. One of them ^{(a) Grants for railway safety works} is the grant for railway safety works. According to the Rail- ^{(b) Central Road Fund grants} way Ministry, the states are responsible for meeting a part of the cost of railway safety works at level crossings, if such works are necessitated by an increase in both rail and road traffic. However, states have so far shown little inclination to bear willingly their fair share of the cost of such works. The present grant is, therefore, designed to assist the states to meet their share of such cost. A Railway Safety Works Fund has now been created into which is to be credited every year a part of the increased dividend that the Railways have to pay to the general revenues. The amount so credited is to be allocated to the states in the same proportion as their shares of the payments in lieu of passenger fare tax. A state's share of expenditure incurred on safety works is to be reimbursed to it as a grant up to the limit of the amount standing to its credit in the Fund (*vide* Appendix 15).

4.19 Grant assistance to a state over an indefinite period, with a view to helping it to meet its proper obligation does not appear to be sound in principle. The main lacuna in the existing arrangements is that a state is in no way bound to accept its fair share of expenditure on safety works. A possible solution would be to amend the Indian Railways Act so as to make it legally binding on a state government to bear its share of the cost of a railway safety work, if the work is considered by the Commission of Railway Safety to be absolutely essential in the interest of public safety. The Commission of Railway Safety is an organisation under the Ministry of Tourism and Civil Aviation and not under the Railway Ministry and its decision is likely to be accepted by the states as that of an impartial authority. The extra financial burden

on account of such works can be taken into account at the time of the five-yearly assessment of a state's non-plan needs.

4.20 The other grant is the Central Road Fund grant. The Central Road Fund was started in 1929 at a time when road development was yet to be organised in an integrated manner. It was felt that the development of roads was passing beyond the financial capacity of local governments and local bodies and becoming a national interest which to some extent might legitimately be a charge on central revenues. The Fund is credited with the proceeds of certain extra duties of customs and excise on non-aviation motor spirit. Eighty per cent of the proceeds are allocated to the states (and union territories) to be spent by them on approved road schemes included in their plans. The remaining proceeds are credited to a "Central Reserve", a portion of which is paid as special grants to states for approved road development schemes, particularly schemes which benefit more than one state (*vide* Appendix 16).

4.21 With states spending large sums on planned development it is no longer true that road development is beyond their financial capacity. Moreover, the earmarking of receipts from particular taxes for specific purposes does not always lead to sound financial management. Balanced development requires that all resources available for the plan should be pooled and allocation made for the different sectors according to their relative priorities. The earmarking of receipts also involves schemewise control by the centre over road schemes in the state plans. There does not seem to be any need for giving road development this unique treatment. As will be evident from Section II of this report, sound planning requires operational independence to the states in regard to their development schemes and scrutiny at the centre should be limited to large schemes and to certain specified classes of schemes and road development in the states should as a whole be encompassed by the plan arrangements recommended by us in Section II. These arrangements allow, among other things, the tying of central assistance to programmes of crucial importance and that part

of the road programme that is considered of crucial importance could be brought within the ambit of this device. On the face of it, therefore, there do not seem to be any compelling reasons justifying the continuance of the Central Road Fund and, unless any can be adduced, it should be abolished.

4.22 Before concluding this review, we would suggest that non-plan grants which are likely to continue from one plan to another should be reviewed and the results achieved should be evaluated. Such a review with proper evaluation should be synchronised with the five-yearly assessment of the non-plan needs of the states. This will enable the assessment to take into account the centre's decisions in regard to the continuance or otherwise of existing non-plan grants. It is important that the report on the five-yearly assessment should indicate clearly the assumptions made in regard to the existing grants.

4.23 The foregoing review shows that there has been no large-scale misuse of Article 282 by the centre on the non-plan side. A constitutional amendment defining or restricting the scope of the Article is, therefore, not necessary, especially because, to meet unforeseen situations, the centre should have a degree of flexibility in the use of the Article.

4.24 It is however clear that greater discipline needs to be exercised in the use of the Article as in many instances other forms of financing should replace non-plan grants under this Article. What is required is the articulation of a proper set of principles for this purpose. We are of the view that restrictions on the use of the Article should develop by administrative convention. Administrative instructions could be issued by the Ministry of Finance laying down the guidelines to be followed in determining whether a non-plan grant should be given to a state for a particular purpose or not. These guidelines should be based on the following principles that emerge from the review just conducted:

- (i) re-imbursement to states of expenditure on schemes fulfilling a "central" purpose should be treated as direct expenditure of the centre and not as a grant under Article 282;

- (ii) repetitive development schemes (e.g. prize competitions) should be included in state plans. Similarly, schemes which are eligible for inclusion in the plan (e.g., the Indo-Norwegian health project, roads) should not receive non-plan grants;
- (iii) when the centre wishes to persuade a state to take up or continue a scheme that should ordinarily be taken up by the state itself (e.g. employment exchanges for the physically handicapped), or when a state does not readily accept its share of some liability (e.g. railway safety works), it does not appear to be correct in principle to offer financial inducement in the shape of grants. Such inducement has the effect of encouraging a sense of dependence on the centre;
- (iv) schemes making a direct encroachment on the states' sphere for which the centre has no responsibility should not be entertained for grants under this Article;
- (v) non-plan grants, in addition to those under Article 275 of the Constitution, should not be paid to the states unless the grants are for—
 - (a) helping them to shoulder a liability arising after the five-yearly assessment of non-plan needs has been completed, or to meet an unforeseen liability of a large magnitude;
 - (b) assisting them to meet an indeterminate liability not taken into account at the time of the five-yearly assessment; and
 - (c) fulfilling a commitment or assurance from the centre to pay a grant to recompense the state for the loss incurred by the state owing to any action of the centre;
- (vi) non-plan grants should be subject to a quinquennial review and the decisions taken to continue or discontinue any or all of them should be intimated to the authority assessing the five-yearly non-plan needs of the states.

4.25 To conclude:

- (a) the use of Article 282 for making specific purpose grants, plan as well as non-plan is constitutional; SUMMARY
OF
CONCLU-
SIONS
(paragraph 4.7)
- (b) the marginal heading against this Article should disappear and the Constitution amended for this purposes;
(paragraph 4.8)
- (c) the use of Article 282 for giving non-plan grants to the states is inescapable in some instances and unjustifiable in others and should be guided by the principles suggested in paragraph 4.24.

SECTION II

CENTRE-STATE RELATIONSHIPS IN THE SPHERE OF PLANNING AND DEVELOPMENT

CHAPTER V

PROBLEMS AND APPROACH

5.1 Planning involves a consideration not only of administration but of policy and this effort is therefore best undertaken against a national perspective, for what happens in one part affects the other parts and the whole must be viewed together for the sake of coherence and co-ordination. The insertion of the entry "economic and social planning" in the Concurrent List recognises this necessity, and although recourse to legislation under this entry has never been had, institutions and systems have been evolved to give practical shape to this idea. Centralised planning has thus inevitably entered administrative areas encompassed by entries in the State List. The legality of the exercise has not been questioned as the decisions made have so far been accepted by the states and in theory implemented as their own. The entire process of decision-making and the manner and extent of central involvement in state subjects have thrown up several problems affecting centre-state relationships.

5.2 Centre-state relations in the sphere of planning do not relate only to subjects in the State List. There is a problem of centre-state relationships in plan activities falling in the Union List. The tugs and pulls of the states for locating central public sector industries are a prominent and well-known example of it. But here only problems relating to plan activities in the Concurrent and State Lists are dealt with chiefly because it is these that would seem to be the most pressing.

5.3 The five year plans concern themselves mainly with what may be called incremental development during the respective plan periods. That is to say they include schemes for taking the level of development a stage or two further. The maintenance of the level of development already attained does not form a part of a five year plan although in fact it has an integral link with the plan. Provision for it is made on the non-plan side, and financed at least partly through

devolutions. We have attempted to deal with the development sector in its totality and not only with that portion of it which falls within a current five year plan.

EXISTING
STRATEGY

5.4 The strategy adopted so far in planning relationships consists broadly of two elements:—

(i) the formulation of state plans has been done to a considerable extent by the state but within two kinds of central discipline:

—financial, in the sense of conforming to ceilings of state and central resources settled in consultation with the centre; and

—substantive, in that broad features like targets, priorities, types of schemes, etc., have been required to fit in with thinking at the national level;

(ii) execution has been entirely the responsibility of the states, but here again there have been items of central discipline:

—schemes of special complexity or size have had to be individually approved by the centre before execution;

—deviations from the agreed plan have been discouraged through the exercise of a variety of financial controls.

Over the three five year plans the stance of the centre on certain items of detailed procedure has not remained unchanged. Thus in some sectors of development there has been a selective relaxation of central constraints relating to the prior sanction of individual schemes or to reappropriations. But this has not really altered the broad strategy.

5.5 In essence the purpose fulfilled by this strategy is to secure the acceptance of priorities as determined by the centre. The decisions may take place after consultations with the states but they are ultimately those of the centre. As planning has to meet national needs it must subscribe to national priorities. And, of national priorities the centre must be the final arbiter. Again the inter-relation of various plans, sectoral and territorial, can best be appreciated and their

co-ordination, also involving the allocation of priorities, best done by the centre. That the centre has to have a vital role here is not therefore a proposition that can seriously be questioned—necessity gives this role the vesture of legitimacy. It is the extent of this role and the means by which it is discharged that are the crux of the matter and call for an examination.

5.6 The strategy described above has been given effect to not through legislation, but through financial inducement. Theoretically a state is free to reject central discipline of this nature, if it is prepared to forgo the large sums offered by the centre for the plans. In practice it has no choice but to accept for even the richest state is too poor to afford such deprivation. The relationship struck by the centre and states has by no means crystallised into a fixed, unchanging pattern. It has been developing along certain lines since the advent of planning, is still evolving and is compounded of many elements among which co-operation, persuasion and cajoling can certainly be counted. But the real sanction behind this relationship remains financial inducement, which in the indigent circumstances of the states, becomes a weapon of decisive power.

5.7 If all were well in this relationship there would be no problem to enquire into. But, even while recognising the need for a national network for planning, it is possible to discern certain unsatisfactory features in the strategy as it has come to be employed.

5.8 To succeed as a national endeavour the plans must secure the commitment of the states by involving them earnestly in the first and basic task of determining goals and perspectives. The rather striking weaknesses in the process of consultation at this stage require to be eliminated by a more effective use of the instrument of the National Development Council. Meaningful consultation with the states, at different levels, is an imperative at every subsequent stage in the framing of the detailed plans but efforts at effecting this—and these have been many and persistent—have stopped well short of the easily realized ideal. An examination

SHORT-
COMINGS
IN EXIST-
ING
SYSTEM

of the entire process continues to reveal a marked need for greater initiative and participation by the states to bring that much more realism to the endeavour. There are obvious limitations to the knowledge, and therefore wisdom, of a central planner removed from the grassroots to which his plans are meant to cater. Inadequate thinking and planning in the states and too great a preoccupation with and control over details at the centre have sometimes led to rigidity and unrealistic uniformity in schemes.

**MECHANISM OF
ASSISTANCE**

5.9 Why have the states not participated as effectively as they should have? The answer lies partly in their own inability to do so but this is not true of all the states, nor perhaps wholly true of any state. Deficiencies that exist here need to be made up. But the other part of the answer is supplied by the fact of the financial dominance of the centre which operates in various ways. A complex mechanism of assistance has been evolved by the centre consisting mainly of:

- (a) central assistance for the state plan, (grants and loans) comprising
 - (i) assistance for centrally aided schemes;
 - (ii) loans for specific purposes;
 - (iii) the miscellaneous development loans; and
- (b) central assistance for centrally sponsored schemes, which are executed by the state but the central assistance for which is not counted against the state plan ceiling.

In the first case the mechanism works initially at the stage of the formulation of the state plan, when the financial aid attached to particular schemes induces their acceptance by the states, and later in the restrictions imposed on reappropriation. This mechanism is meant to assist in underlining the priority of particular schemes but, as the detailed discussions in the following chapter will show, has in fact led to considerable distortion in the approach to planning. State plans tend to become a conglomeration of centrally aided schemes in the belief (mistaken as it happens) that this helps to increase the flow of central assistance. Much more thought

emanating from, and related to the actual needs of, individual states, is required to make plans fully realistic and fruitful. In this view of the matter, centrally aided schemes have tended to act as blankets snuffing out independent thinking and planning in the states.

5.10 Restrictions on reappropriations are meant to secure adherence to priorities. But while, on the one hand, they tend to fetter the operational flexibility of the states, they have, on the other, proved ineffective in many instances. Both because of their growing power and because of certain peculiarities in the mechanism itself, the states have time and again circumvented this discipline with impunity, until one cannot resist asking the question whether a control that irritates but is not effective is worth retaining. REAPPROPRIATION

5.11 Circumvention of course is a game at which two can play, and central ministries have not proved inept at it. The centrally sponsored category of schemes, through which the centre is enabled to sponsor schemes and give assistance for them over and above the assistance earmarked for the state plans, and which was originally conceived for valid purposes, has provided the ministries with an opening for direct involvement with state subjects which they have used more amply than necessary. The criteria laid down for restraining the ministries in their ventures have not been followed and deviation here is another unsatisfactory feature. CENTRALLY SPONSORED SCHEMES

5.12 The insistence on the scrutiny of certain individual schemes is yet another problem. Although there has been commendable decentralisation some anachronisms still exist which result in delays and the expense on which could well be saved. SCRUTINY OF SCHEMES

5.13 It will thus be seen that as a result of planning the three horizontal layers of administration represented by lists of central, concurrent and state subjects have been vertically partitioned into plan and non-plan sectors and that within the plan world, the compulsions and consequences of planning have tended to unite the three horizontal pieces into a single near-monolithic chunk controlled from the centre although operated in respect of concurrent and state

subjects in the states. It would not be wrong to describe this as a distortion, resulting from a discipline-enforcing structure in which the demonstrable weaknesses are so numerous as to call for a review of the system.

5.14 This is not meant to be an indictment of the Planning Commission or the central ministries. Starting practically from scratch the Planning Commission has done invaluable work. Nor has it neglected to give attention to some of the unsatisfactory features mentioned above. The measures of reform introduced by it have, however, been hamstrung by the general strategy governing these relationships. It is true that reforms should be appropriate to the situation for which they are fashioned and we have earlier said that planning relationships are still evolving. They need to come out of the chrysalis stage that they are in at present and this needs the introduction of a new approach to planning relationships.

NEW
STRATEGY

5.15 What could a new strategy for planning relationships be? When a fundamental question of this kind is posed it is best to go back to first principles. The Constitution recognises that the administration of this large country cannot be effectively or efficiently carried on from a central point alone and that regional units in the form of state governments are necessary. It also visualises that these regional units should not have the attributes of subordinate offices of the Central Government but should instead function responsibly and democratically. These rather obvious remarks need stress here as in their tendency to acquire too much control on too many details central authorities tend to lose sight of this perspective. Besides the need for increased operational efficiency and for a healthier partnership with the states asks for a new approach to centre-state relationships and for an appropriate modification of plan policies and procedures. The urgent acceptance of this proposition is necessary also to prevent a preternatural growth of central agencies. This is not a harkening back to any vestal ideas about the constitutional division of powers, denying the centre any significant role in the development of activities in the state field. That is neither possible nor desirable. But

it is a plea for reposing greater trust in the states and making them responsible and self-respecting partners in this venture.

5.16 This approach would necessitate serious effort to strengthen the planning machinery within the states: it is possibly the predominance of the central planning apparatus that has so far inhibited such a development. Efforts would also have to be made to evolve a satisfactory process of consultation between the centre and the states that ensures the full participation and involvement of the latter. Such an approach is essential for securing national agreement on objectives and strategy and would be the best guarantee that plans formulated with national targets in view do get implemented in the states. In implementing plans, the states would have to be left largely free to act according to their best judgment, substantially unfettered by restrictions requiring central sanction and where so restricted, limiting them to technical clearance. The entire process of planning would have to be freed, as far as possible, from the constraints on thinking and execution introduced by financial baits.

5.17 There are without doubt risks in this new approach. It may happen that the trust reposed in a particular state by a far-reaching scheme of decentralisation is betrayed in the sense that the amounts made available are not utilised for the correct priorities. To this all that can be said is that in a relationship of trust occasional betrayals do take place and need not be considered a calamity. If there is full participation of the states at the stage of formulation of plans such betrayals should be rare.

5.18 Perhaps it is not so much fear of betrayal as that of *bona fide* error or differences in the administrative and technical capabilities of the different states that have impelled the centre to retain the present degree of centralisation. *Bona fide* error is as likely in the centre as in the states; probably more so because of its divorce from the field. The differing capacities of the states inviting direct central involvement in aid of the weaker ones, make a more telling argument. Could there be a case for a differentiation in

central attitudes towards states that are relatively advanced and those that are relatively weak? Should the concept of decentralisation itself be flexible, to be trimmed in each individual case to the capacity of the state and leading to a calibrated progress from each according to its ability to each according to its need? Such a course may not prove politically acceptable, for political compulsions will demand the uniform application of principles in any scheme of devolution. The degree of decentralisation effected, therefore, should be such that a balance is maintained: it should neither be a drag on the progressive states nor require an impossible level of administrative performance from the weaker ones, and what has been suggested in this report attempts to secure such a balance. This may require an effort of the latter, but after fifteen years of planning none is incapable of effort, and where administrative capacity is lacking the answer is not spoon-feeding, which after a period inhibits growth psychologically and physically, but assistance to develop that capacity. This indeed should now be one of the major functions of the central ministries.

5.19 The principle of delegation inherent in the new strategy should be accompanied by a well organised system of information feed-back to the centre so that major deviations from essential priorities or substantial shortfalls in performance can come to notice promptly after the event and remedial measures can be adopted in time to be effective for the future. As a final sanction, there is always the weapon of the total quantum of assistance from the centre being subject to adjustment in the downward direction for a persistently recalcitrant state. Not merely the progress but the eventual evaluation of programmes should also be a major concern of the centre so that their efficacy is judged and correctives applied.

5.20 In short, having regard to the many defects in the present system, a move towards a relationship of trust would seem to be called for, the gains expected being worth the risk involved. For planning relationship between the centre and the states can then be expected to be placed on a

sound basis with a sharper emphasis on efficiency and responsibility. Quantities of avoidable work that today clutters up the Planning Commission and ministries handling concurrent and state subjects will be jettisoned, resulting in quicker and more economical operations in the states. This will also slim down these central agencies and, what is more important, enable them thereafter to focus attention on the really important matters some of which otherwise escape notice.

The last mentioned item has significant and interesting possibilities, both negative, that is those relating to the work that the central organisations will shed, and positive, that is those concerning functions they should actively assume and which they have neglected so far. The results of a functional study on these lines have been incorporated in a later chapter in this section.

5.21 The different aspects that this section of the report will deal with are:

A—Planning and the National Development Council

B—Central assistance for administering plans in states

C—The centrally sponsored sector

D—The formulation of plans and scrutiny of schemes

E—Evaluation

F—The role of central agencies dealing with matters in the State and Concurrent Lists.

CHAPTER VI

PLANNING AND THE NATIONAL DEVELOPMENT COUNCIL

NEED FOR
NATIONAL
POLICIES

6.1 The nation is more than the centre, and indeed very much more than any state and a national endeavour like the five year plans must encompass both the centre and the states calling for a co-ordinated effort from all of them. It may be that in a national endeavour of this kind the centre becomes the lynch pin, playing, of necessity, the role of initiator, guide, co-ordinator and watch-dog of the execution of the national will, but the will, if it is to be honestly and earnestly implemented throughout the country, must be national and therefore nationally determined. This asks for a process of consultation with the states in which all the basic issues confronting the nation are given full and frank consideration. Such a process leading to a commitment of the states to any plan, becomes imperative when we consider that it is at the expense of their jurisdiction that the plans comprehend development activities falling within the states' sphere. Decisions which imply a discipline on them that the law does not enjoin must, to be morally binding on the states, secure the imprint of their acceptance through synergetic collaboration rather than passive acquiescence.

6.2 This exercise basically involves the enunciation of the goals and objectives of a plan and its strategy, the formulation of the plan, the determination of the priorities of different sectors and the identification, in particular, of the crucial ones among them. It is not difficult to point out what the essential ingredients of such a statement should be. It must set out, in the first instance, the direction and extent or the development of society envisaged in a given period, development being considered here in the total context of government's responsibility without distinction between the plan and non-plan sectors so that the relationship of the different parts is borne in mind and a balanced judgment arrived at on priorities. It must contain an articulation of

the strategy devised to attain the goals and objectives of the plan. Ideally such a strategy, to eliminate ambiguity and to provide a clear perspective in which the mutual relationships and responsibilities of the centre and the states can be understood, must outline, among others, basic policies regarding the size of the plan, the clear effort required of the centre and the states, the relationship of the centre with the states in the formulation, financing and execution of the plan, the degree of centralisation and uniformity necessary, the intersectoral outlays and priorities essential for the fulfilment of the objectives and the techniques and organisation required to be forged. Such an enunciation, which forms the bedrock of all plan effort, must seek the support of the states. Implicit in any attempt to enable the states to give businesslike consideration to basic policy is the presentation to them of different alternatives, giving the basic assumptions behind them, so that decisions are not the choice of a Hobson but are taken after evaluating all aspects. Implicit also is the organisational need for a forum where these issues can be discussed and settled.

6.3 It is in realisation of this need that the Planning Commission suggested in the Draft Outline of the First Five Year Plan the creation of the National Development Council which would be a "forum.....at which, from time to time, the Prime Minister of India and the Chief Ministers of the States can review the working of the Plan and of its various aspects". The Council was established in 1952 by Cabinet resolution, which defined its functions as follows:—

- (1) to review the working of the National Plan from time to time;
- (2) to consider important questions of social and economic policy affecting national development; and
- (3) to recommend measures for the achievement of the aims and targets set out in the National Plan, including measures to secure the active participation and co-operation of the people, improve

the efficiency of the administrative services; ensure the fullest development of the less advanced regions and sections of the community and through sacrifices borne equally by all citizens, build up resources for national development.

It consists of the Prime Minister, the Chief Ministers of the states, and the members of the Planning Commission. but its meetings are usually attended by others as well, particularly by ministers of the Central Government with an interest in the items included in its agenda and, at times, by experts called to give advice.

6.4 How well has this instrument been used for securing a national consensus? The Council is certainly consulted at certain well-defined stages in the formulation of a five year plan. First, the Planning Commission places before it the "Memorandum" on the five year plan which contains a tentative framework integrating the programmes of various sectors after taking into account the recommendations of the different working groups and the perspective plan prepared in the Planning Commission. This Memorandum may be accompanied or preceded by a paper raising the main issues to be discussed by the Council. After a discussion of these a more detailed "Draft Outline" is prepared and placed before it. Between the Memorandum and the Draft Outline another document may also be presented to discuss the size of the plan, outlays in different sectors, resources and other issues. The result of all this work is incorporated in the final draft which is again discussed by the Council among others and becomes operative after adoption by Parliament.

6.5 There is thus a measure of consultation with the states, both at the initial stages and later, in detailed formulation. The degree of consultation has increased with every succeeding plan and so steadily has the influence of the Council. And yet a study of the planning documents and an examination of the planning procedures reveal a paradoxical situation in which, while consultation with the Council on certain basic matters of policy has been inadequate, the attention bestowed on them by the Council when opportunity has visited it has been even more so.

6.6 Weakness in the process of consultation is most tangible at the primary and most important stage of the formulation of goals and objectives and the adumbration of the strategy of planning. Goals, objectives and strategy are dealt with in the "Memorandum" placed before the Council and are based on the studies conducted within the Commission on a fifteen year perspective. But the perspective plan document is never taken up in the Council. The overall projections are indeed summarily mentioned in the Memorandum but the basis on which they are arrived at is not revealed. Alternatives within a given framework may be discussed and these take the form of readjusting, seldom more than marginally, inter-sectoral priorities and outlays, but alternatives to that framework are not presented to the Council. The "Notes on Perspective of Development : India 1960-61 to 1975-76" do speak of alternative approaches but dismiss them without much elaboration in a matter of four pages. In any case, as mentioned earlier, this document is not discussed.

WEAK-
NESSES AND
PROCESS
OF CONSUL-
TATION

6.7 This would be a merely academic question if no serious possibility of any practicable alternatives existed. But that has never been the case. When formulating the Third Plan the document giving a firm basis to discussions styled "Dimensional Hypothesis concerning the Third Five Year Plan" envisaged a transition to a 'self-generating economy' and outlined a certain pattern of investment required to achieve this objective. The policy implications of such a plan were examined by an economist in another paper, in which the problems involved in such a transition were posed, the assumptions underlying the priorities were questioned, the need to reconcile some apparent contradictions emphasized and an alternative approach suggested. This paper was not published or circulated to the states although it was presented before the Commission's Panel of Economists. The "Memorandum" presented before the National Development Council contained, not alternatives, but the approach of the Planning Commission after it had considered the available alternatives. Other instances of inadequate consultation, or failure to seek a consensus, or to implement it when arrived at, can be furnished, but perhaps the point is made.

6.8 The right of the Council to be consulted on all issues of basic importance must not obscure from view its responsibility to give them careful consideration when they do arise. The discharge of its obligation to consult the states must be matched by a commensurate willingness on the part of the latter to settle them clearly, coherently and in the interest of the country as a whole. It is of significance, therefore, that the Council has in the past often failed to give the crucial issues raised before it the depth of consideration they deserved. This will be borne out amply by the narration at Appendix 17 which shows how, faced with the gulf between the expenditure and taxation for the Third Plan and with specific proposals for bridging it, the Council tended not to confront them squarely and preferred to prevaricate. The National Plan was approved without any clearly agreed national policy on the fiscal measures required to underpin it.

6.9 Two factors have worked in the past to perpetuate the deficiencies mentioned above, namely uniparty control all over the country and the dominant personality of the first Chairman of the Planning Commission under whose aegis conventions were developed. The Commission has usually had its way, and no one has thought it fit to make heavy weather of either the fact of inadequate consultation with the Council or of inadequate consideration by it. But with neither of these two factors operating now to influence the course of events, it is necessary to place the working of the Council on a systematic footing so that the maximum advantage can be extracted from it. It is likewise necessary for the Council to respond by giving its best attention to important policy issues brought before it and to give its decisions keeping the national good in view.

6.10 In the formulation of the broad features of the plan the Council has involved itself to a much greater extent. The Council provides the Planning Commission with its most important sounding board, and the deliberations of this body give some indication of the extent to which the states are prepared to accept centrally determined priorities. The Council therefore, exercises an influence on the planning process

which may not be perfectly revealed in the planning documents, one reason being that the Planning Commission is itself influenced by the anticipated reactions of the Chief Ministers before presenting proposals to the Council. Nevertheless, even here the Council, in practice, often becomes a forum for the ventilation of individual grievances rather than for collective discussion of principles and policy. A third factor comes into play to prevent these meetings from giving of their potential best—the absence of systematic and streamlined conferencing procedures. The Council meets for a day or two and, as a rule, cannot meet for longer, for the Chief Ministers are busy men. In this short period it takes up a number of important and complex issues. The organisation of these meetings is such that the Chief Ministers are left with hardly any time to study the papers, grasp the implications of all the proposals and come to conclusions after considering the different aspects of each problem. Indeed as Appendix 18 will show the agenda papers are as a rule circulated so late that it is virtually impossible for Chief Ministers to go through them with care. It is necessary, and indeed only fair, that such important papers should be sent to all concerned well in advance. Even this precaution would not suffice, for the issues are such that they need to be pre-digested before the National Development Council deliberates on them and for this purpose we would recommend that this Council should be assisted by a standing advisory committee consisting of official advisers from each state, the central ministries concerned, and the Planning Commission. Matters going up to the Council would then have been vetted by this committee earlier. The conclusions of this body could be placed before the Council along with the memoranda of the Planning Commission. If the National Development Council is replaced, as is recommended later, by a Council with wider functions, a standing advisory committee, similarly composed, will be necessary for that body for the subjects embraced by planning.

6.11 The National Development Council did appoint a standing committee in 1954 consisting of members of the Planning Commission and the Chief Ministers of nine states,

It was also decided that the Chief Ministers of one or more of the remaining states could be invited to attend meetings of the committee. The result of this last provision was that no clear distinction existed between the standing committee and the Council. The standing committee functioned with some effectiveness at the time of the formulation of the Second Five Year Plan, but not many meetings of the committee have been held since 1956. It is again their busy time schedules that have prevented the members of such a committee from functioning effectively. For formulating the Fourth Plan the Council appointed five sub-committees to examine and make recommendations on five different sectors. These did function somewhat effectively, although inevitably their deliberations too tended to be of a general nature. Devices of this nature are useful and can be persisted with, but cannot be substitutes for the standing committee of officials suggested above.

6.12 In brief we envisage added dimensions to the role of the National Development Council in which the show of respect made to it by the Commission, never a facade, will permeate to the basic premises of planning. Needless to point out, these new dimensions will add to the responsibilities of the Council which must perforce show a willingness to shoulder them. Not until both these conditions are satisfied will planning become a truly national endeavour, to which the centre as well as the states will be morally committed. This would be a commitment that should be honoured, irrespective of the changes that may occur in the complexion of the governments at the centre and the states. With such a commitment the decentralization proposed in the chapters following can be undertaken with added confidence.

SUMMARY OF CON- CLUSIONS

6.13 To conclude:

- (1) all basic questions of planning policy, particularly those pertaining to goals and objectives, alternative frameworks, strategy and crucial sectors should be placed squarely before the National Development Council in time and debated there;**

(paragraphs 6.6 to 6.8)

- (2) the Council should give the highest importance to these basic issues to help arrive at a national consensus keeping the national good in view;**

(paragraph 6.9)

- (3) the Council should be assisted by a standing advisory committee consisting of official advisers from each state, the central ministries concerned and the Planning Commission.**

(paragraph 6.10)

CHAPTER VII

CENTRAL ASSISTANCE FOR ADMINISTERING PLANS IN STATES

CENTRAL-
LY AIDED
SCHEMES—
MECHANIS-
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7.1 With the formulation and acceptance of a state five year plan, an indication is given, after taking into account financial needs and resources, of the central assistance to be rendered to the state for implementing the plan. The exact figure for each year is given at the time of framing the annual plan. While the amount of this assistance is arrived at for the plan as a whole, the plan itself is composed of a number of individual schemes many of which have varying patterns of central assistance. The loan and grant portions of the total central assistance for a state plan are arrived at by adding up the loan and grant components in the patterns of schemes included in the plan. If the sum total falls short of the total assistance assured to the state the balance is made up through what is called a miscellaneous development loan.

PATTERNS
AND PRO-
CEDURE
OF ASSIS-
TANCE

7.2 The patterns and procedure of assistance for centrally assisted schemes have undergone a number of changes during the three plan periods. The existing position briefly is that under each head of development, such as education, agriculture and so on there are schemes which earn assistance and there are schemes which do not. Loans and grants are intimated to the states for each head of development as a whole. The state governments are asked to ensure that the assistance granted under a head of development is utilised only for schemes carrying some pattern of assistance and in particular that no diversion takes place from certain specified special schemes. Adjustments in outlays under different heads require the concurrence of the Planning Commission or the central ministries concerned. If a state government diverts funds from one head to another without the approval of the centre, it forfeits proportionately its right to the grant admissible under the former. but if it achieves the state plan target as a whole it earns the assistance so forfeited in the form of a miscellaneous development loan.

7.3 Major departures from this system of grants are made in two cases as described below:

- (i) in the case of programmes for agriculture and co-operation the central assistance earmarked is not available for diversion to any other head. If there is a shortfall in expenditure the amount of central assistance is correspondingly reduced, re-appropriation to another head not qualifying even for a miscellaneous development loan;
- (ii) the central assistance for "village and small industries" is allocated not for the head as a whole but separately for each of the seven groups into which the head of development has been classified: handicrafts, coir and so on.

7.4 It will thus appear that in the centrally assisted sector, grants are of three main varieties:—

- (a) those tied to heads of development, the tie not being absolute as reappropriation earns assistance for the state government in the form of a loan;
- (b) those tied to groups within a particular head of development, the tie not being absolute;
- (c) those tied to a head of development, the tie being absolute.

7.5 The objects of the centre in prescribing patterns¹¹ of assistance for schemes are to ensure balanced development and adherence to priorities considered essential by it and to enable its own judgment about their feasibility and fruitfulness to determine their final format. But even a cursory analysis of the procedure will show that there is a built-in mechanism in it for defeating whatever purpose scheme-wise patterns are expected to serve. This is the mechanism provided by the miscellaneous development loan. In theory, reappropriation from one head of development to another is not permissible without the approval of the centre. Nor is reappropriation allowed from schemes bearing a pattern of assistance to schemes which do not earn assistance. And yet if any such reappropriation is made by a state government

¹¹RAW-
BACKS

on its own authority it is not deprived of assistance as the total amount of central assistance is assured for the state plan as a whole. All that happens in such a case is that the state forfeits the grant portion that it could have earned according to the patterns of assistance attached to the abandoned schemes but earns corresponding assistance in the form of a loan through the mechanism of the miscellaneous development loan, provided its performance is such that the total expenditure targets fixed for the plan are attained. The obligation to accept central assistance in the form of a loan instead of a grant should normally be a deterrent, but these loans themselves are serviced by further loans from the centre, as a result of which for a state the line of distinction between a loan and grant has begun to wear thin. A state government that is fully cognisant of the operations of this entire mechanism would not therefore hesitate very much to reappropriate. It would, however, be under some pressure at the time of formulating the plan to accept schemes that bear patterns.

7.6 Where the ramifications of this mechanism are not fully understood or where the liability of a loan as contrasted with the benefits of a subsidy continues to have a deterrent effect the assistance proves to be a two-edged weapon: it can secure adherence to priorities but it can also distort them. Implicit in this system is the assumption that the centre knows, better than the states, what priorities the latter should observe, what details their schemes should have and to what extent virement should be permitted. These are all questionable assumptions particularly when extended to individual schemes within a sector of development, for a state as a rule is in a better position to assess the claims of different schemes in relation to its own needs and capacities. These vary from state to state, and yet uniform schemes with regimented patterns are suggested by the centre. Besides the financial bait there is insistent pressure by the ministries on the states to accept pattern-bearing schemes which are for the most part formulated by the centre itself. Schemes are consequently often included in state plans not because the states consider

them inherently important but because they carry patterns of assistance. This, crudely stated, is the purpose of this device. It is in any case its natural effect—a conclusion affirmed by a representative sample of officers with whom we held informal consultations and supported by the evidence furnished by our own random studies (Appendices 19 and 20) which reveal how, hard-pressed for finance, the state governments included schemes in their plans bearing some pattern of assistance in preference to those that did not although, in their view, many of the discarded schemes had a higher priority than some of the included ones. Judgments about the priority of individual schemes can always differ but in the instances cited the superior wisdom of the centre is not borne out.

7.7 When the Constitution entrusts the administration of certain subjects to the states it is in principle objectionable to fetter their discretion in matters even of detailed schemes within a sector. Scheme-wise priorities cannot be uniformly laid down. Nor should scheme-wise formats. Of both the state must be assumed the best judge. When formulating the plan the centre has ample opportunity of discussing priorities and sectoral targets with the states, both through the Planning Commission and the central ministries. The working group exercise is another means of giving guidelines to the states. The states can be expected to conform to these broad indications consistent with the adjustments required to suit local conditions. The determination of detailed schemes and their formats is not the function of the centre nor is it equipped to discharge it. We saw during our investigations the long delays that could occur in the existing system, the rigidities inherent in the uniform application of patterns, the complexities in procedure, the ability of the states to defy the centre should they so choose and the eventual fruitlessness of much of the large volume of work involved. The narration of the cases at Appendices 21 and 22 is illustrative of these shortcomings.

The first case dealt with a proposal from the Secretary, Department of Agriculture to give an enhanced subsidy to the

farmers for pump-sets. The idea was to mobilize all available diesel pumps for the coming rabi programme and for subsequent programmes. The need for this measure was said to be urgent. Yet it took 5 months to reach an agreement (involving horizontal co-ordination among five bodies) on the pattern of assistance, a delay wholly unnecessary for, being a state plan scheme, the pattern did not affect the total quantum of assistance earmarked for the state plans. The rabi season was over by then. In the second case, which was concerned with the establishment of agricultural colleges, a state government disregarded the ceiling proposed by a committee set up by the Department of Agriculture and despite the opposition of the Government of India, went ahead with the opening of the college. As assistance was reckoned on total plan performance the state did not lose anything by this defiance.

7.8. It will be clear that the effectiveness of scheme-wise patterns of assistance in ensuring adherence to priorities is basically illusory and that where the illusion persists the effect is often to distort priorities and perspectives rather than preserve them.

7.9 These are not the only drawbacks in the system of centrally assisted schemes. There are others which are enumerated below :

- (1) there is a large variety of patterns, over 100 of them, which causes unnecessary confusion and which creates enormous work at all levels;
- (2) the form and substance of many of the schemes is determined by the centre and applied uniformly in all the states leading to rigidities in implementation. In the case study at Appendix 21, already referred to, we see that the scheme of subsidies to farmers for diesel engines was changed to provide for a higher rate of subsidy. Clearly the capacity of the farmers to pay for these engines varies in different states and to provide for a uniform rate of subsidy ties the hands of the states unnecessarily

- (3) the procedure for fixing the pattern of the scheme is complex and delays in decision inhere in it;
- (4) there is in any case no means available to the centre of verifying in time whether reappropriation, within the same head of development, has occurred from assisted to unassisted schemes;
- (5) there is and can be no exact correspondence between the figure of total central assistance earmarked for a state plan and the sum total of assistance earned by a state by implementing pattern-bearing schemes. Where the latter is less than the former the balance is made up by a miscellaneous development loan as already mentioned. At times, however, it happens that it is more and has therefore to be limited to the over-all ceiling for assistance. In such an event scheme-wise patterns have no meaning;
- (6) patterns laid down for staffing and pay scales disturb parities in the state services. This problem, though, is not so acute here as in the centrally sponsored sector.

7.10 The net result of the system of scheme-wise patterns in the state plan would therefore appear to be needless, voluminous and complicated work, a distortion of priorities, vexation to the states without ensuring effectiveness for the centre, a dilution nevertheless of the initiative and judgment of the states and a fettering of their operational flexibility. The system may have served a useful purpose in the initial stages of planning but has outlived its utility. We would therefore recommend that the system of attaching patterns to schemes should be discontinued altogether.

7.11 Allied to this is the question of permitting reappropriations. We have come a long way from the position in the First Plan, when assistance for every scheme was tied and the states were not given any discretion to reappropriate. There has, for operational reasons, been a progressive relaxation of the conditions for reappropriation. Barring the exceptions listed earlier, assistance is now tied to heads of development, and reappropriation from one head to another

REAPPROPRIATION

results only in the substitution of a loan for a grant, provided the total state plan target of expenditure is achieved. A head of development covers a broad area containing a mixture of schemes of high, medium and low priority. While scheme-wise tying has proved unworkable tying assistance to broad heads of development does not really secure any real adherence to priorities. The balancing mechanism of the miscellaneous development loan does not even ensure balance in inter-sectoral outlay. In a typical circumvention a plan is agreed to for a particular state in which the state accepts a smaller investment, say for power, than it wants to because higher investment in industry is pressed for by the centre. During implementation the state is unable or unwilling to forgo the need for bigger power development and presses ahead with it diverting additional money to it from other development heads including industry. Priorities fixed when the plan was formulated are thus drastically altered. Any grants lost by the state through diversion from grant-earning schemes are made good in the shape of miscellaneous development loans, the centre thus becoming a party to the whole thing financially as well as otherwise. The present system is thus hardly fulfilling the purpose for which it was introduced and the best thing would be to scrap it.

7.12 Reappropriation should normally be permitted freely at the discretion of the states from one scheme to another and from one head of development to another. Reappropriation is often necessary because of escalation in costs or unavoidable shortfalls in expenditure. The states alone are in a position to assess the relative merits of the claims of different sectors and to see where cuts should be imposed.

7.13. This would in fact mean that the states would be given block amounts as central grants with freedom to use these amounts according to their discretion. If the priorities of particular programmes affected only the state concerned there would perhaps be no objection to such wholesale decentralisation, and democratic processes within a state could be expected to apply the correctives to executive aberrations. But there are items within any state plan which

are crucial from the national point of view. How is adherence to priorities to be secured there? The freedom given is not to be regarded as a licence to the states, to be abused because it exists. There is no reason to suppose that the states will not select avenues of expenditure after sober reflection and for the good of the state. They will rather have an added incentive to do so, for this money they could really consider their own. Moreover, the greatest safeguard against its irresponsible use would be the national consensus achieved over goals and objectives, priorities and nationally crucial areas. The freedom to operate will be within the parameters of such a consensus. To withstand pressures generated within a state against the observance of these priorities some central control is obviously necessary. Here we would suggest that the concept of tied assistance for programmes of crucial importance should be systematically introduced and implemented. There will be justification for tying this assistance as the programmes will have been selected after a full debate by the National Development Council. The concept is not unknown to Indian planning but it needs to be applied very selectively and after careful rationalisation. A balance must even here be kept between central direction and state discretion and our suggestions on this subject are listed in the following paragraph.

7.14 (1) For securing adherence to priorities for areas of overriding national importance tied grants may be allowed. The tie in such a case must be absolute, that is, shortfall in performance should automatically result in a downward adjustment of assistance to the state concerned.

(2) The tie in such cases should be to a sector or a programme (*i.e.* a group of schemes) as a whole. It should ordinarily not be to specific schemes, nor preferably to a head of development.

(3) The sectors to which tied grants have to be given must be selected with the greatest discrimination and must be kept to the minimum. This note of caution is necessary as there is bound to be pressure from central ministries to include a large number of programmes in this category and

there is also considerable possibility of disagreement over the areas which should be given this priority. Thus different proponents of decentralisation have severally included the following subjects among the exceptions to be given overriding priority:

- (i) agriculture
- (ii) education
- (iii) health
- (iv) multi-purpose projects
- (v) roads

Obviously, very little would be left in the state plans outside these exceptions. If tying has to have any meaning the sectors will have to be selected with great discrimination and kept to the minimum. Moreover it would be pointless selecting an entire head of development for such a restriction, which should be applied to specific programmes rather than to the entire field encompassed by a broad subject. Thus, at any given point of time, the programmes relating to the production of foodgrains under the head "agriculture" might be considered of crucial importance. In that case these programmes rather than all agricultural activity should come under this constraint. Or, in the field of education the planners might consider "technical education" or "the quality of science education in schools" as deserving of this consideration in which case these rather than all "education" should come in for tying.

④ There need be no regimentation in the selection of sectors. Different sectors could be selected for different states. Thus while food production would be an appropriate sector for most states it may not be as important as cashew nut or rubber plantations for a state like Kerala.

(5) A concept could perhaps here be introduced of having even for untied heads of development, two categories of schemes one having a higher priority over the other. Virement could be restricted and permitted only from a lower to a higher category, whether within the same head of development or from one head of development to another. This

idea, however, is not an integral part of the system proposed by us.

Procedures to give effect to this system will have to be worked out by the Planning Commission and the Ministry of Finance. A possible drill is suggested at Appendix 23.

7.15 With the acceptance of this system the balancing mechanism of the miscellaneous development loan will become unnecessary. The system of having a miscellaneous development loan should be abolished altogether and capital assistance should be given in the manner recommended in Chapter III.

7.16 With the extent of the decentralization proposed here in plan financing the need for adequate procedure to check progress, locate bottlenecks, make adjustments and take remedial measures will be sharply accentuated, for plan grants in the tied sectors will be conditional on performance and it is on performance that cuts may have to be imposed. Even in the remaining sectors performance will be relevant, as a whole for assessing the assistance earned and in individual sectors to gauge the extent and direction of progress made. It will be important therefore to have mid-year appraisals of the state plans, both for keeping abreast of events and for suggesting correctives if necessary. It will be necessary for the centre to secure in time all the information required for this purpose. This exercise, also sometimes referred to as "short term" or "internal" evaluation will involve for the states a two-fold task: the collection and submission of information of performance in financial terms, separately for crucial and other sectors and the collection and submission of data regarding performance in physical terms. Information in financial terms will be indispensable for the mid-year appraisal as well as for the annual compilation. It is a current complaint against mid-term evaluations that they are too financially oriented. The complaint does have substance but cannot obscure the need for the timely and accurate collection of information of financial performance.

7.17 The answer to the complaint against the present preoccupation with financial targets is to conceive of short

term evaluation as a necessary management tool available with the states to watch and improve plan performance. Such an evaluation must take account of physical achievements also, as well as of the various difficulties and bottlenecks encountered. In the forging of such a tool the appropriate management techniques must be made use of to render this activity more efficacious. The details of the information required and the techniques to be employed need not be spelt out here. They are primarily for Government and the Planning Commission to work out. We may however broadly suggest that

(1) for the purpose of making financial adjustments the following feed-back information may be compiled:—

- (a) financial performance scheme-wise in the crucial sectors to which central assistance is tied;
- (b) achievement of physical targets scheme-wise in respect of the crucial sectors;
- (c) financial performance head-wise, in other sectors, bringing out the effect of the reappropriation, if any on physical targets originally contemplated. (Cuts will be imposed on a scrutiny of figures in respect of (i) plan performance as a whole and (ii) plan performance in crucial sectors);

(2) a comprehensive annual report should reach the Commission and the ministries for appraisal during the middle of the following year. Departmental figures of expenditure reconciled with the Accountant General, should be incorporated in this annual report. Departments in the states should, where they have not done so already, evolve some machinery for the collection of expenditure data. (Successful arrangements like the attachment of a small contingent to the office of the Accountant General have been devised by some states). Ideally, authentic scheme-wise figures should be available straightway from the Accountant General. With the present budget head system, which renders a linking of plan schemes with budget provision very cumbersome, this is not possible. If reform is found possible here the

process will be considerably simplified. Once an easy correlation is available the existing time lag for securing correct figures from the treasuries will be appreciably reduced;

(3) adjustments in the quantum of central assistance for the next annual plan owing to the shortfalls in the previous annual plan will be made on the basis of the reconciled departmental figures but final adjustment shall be made, in due course, on the basis of audited figures. (At present, also, the financial adjustment of the central assistance is made on the basis of audited figures, in due course). Mid-year appraisals may have to be based primarily on financial achievement to be assessed over a suitable period.

7.18 A final word may here be said about the use of ARTICLES 275 AND 282 Article 282 for giving plan grants. It could be mooted that in the high degree of decentralisation proposed, plan grants should be made under Article 275, albeit on the recommendation of the Planning Commission. This would make the scheme of decentralisation complete. We consider however that this course is not yet practicable and will not be so for some time to come. If plan grants are given under Article 275 for a five yearly period the flexibility necessarily required in planning and determining central assistance from year to year will be lost. The centre itself may not be completely certain of the position of its resources except from year to year and in the present circumstances a five-yearly devolution will not be financially feasible. Besides, the tying of crucial programmes with a built-in mechanism for annual correctives will not be possible in such a system. The utility of Article 275 lies only in employing it for long term—say quinquennial awards. If plan grants are to be made the subject of annual dispensation, as is unavoidable, there is no purpose served in preferring Article 275 to 282.

7.19 To conclude:

- (1) the system of attaching patterns of assistance to plan schemes should be discontinued altogether;

(paragraph 7.10)

**SUMMARY
OF CON-
CLUSIONS**

- (2) re-appropriation should normally be permitted freely at the discretion of the states from one scheme to another and from one head of development to another;**

(paragraph 7.12)

- (3) the states should be given block amounts as central grants with freedom to use these amounts according to their discretion, except for programmes of crucial importance. For programmes of crucial importance the concept of tied assistance should be systematically introduced and rigorously implemented;**

(paragraph 7.13)

- (4) the mechanism of the miscellaneous development loan should be abolished altogether;**

(paragraph 7.15)

- (5) with decentralisation, short-term evaluation will become particularly important to enable the centre to work the mechanism proposed and also as a management tool for the states. Feed-back information on financial and physical achievement will have to be sent by the states and adjustments based thereon.**

(paragraph 7.17)

CHAPTER VIII

THE CENTRALLY SPONSORED SECTOR

8.1 The concept of the centrally sponsored sector has evolved gradually during the plans. In the First Plan practically every scheme was sponsored by the centre and there were no distinct categories like “centrally sponsored” and “centrally aided”. With the introduction in the Second Plan of the institution of the “centrally aided” sector, that of the “centrally sponsored” sector acquired a separate existence, not recognised initially as a concept with a name, but a reality nevertheless made up of *ad hoc* schemes sponsored and partially or wholly financed by the centre. In time the category gained recognition and its present nomenclature.

8.2 Schemes in this sector are sponsored by the centre and are executed by the state governments under the technical guidance and supervision of the central ministries concerned. The assistance given by the centre for these schemes is over and above the total central assistance earmarked for the state in the state plan and provision for it, therefore, is made in the budgets of the central ministries.

8.3 Each scheme requires the specific approval of the central ministry concerned before it can be undertaken. Patterns of assistance are here applied to individual schemes and payment is made on the basis of the expenditure reported for each of them. Schemes costing less than Rs. 25 lakhs over the five year period or Rs. 10 lakhs in a year are approved by the ministries on the basis of a certificate from the administrative department concerned in the state to the effect that the schemes have been accepted for financial sanction by the State Finance Department. For schemes costing more, the central ministries accord approval after conducting the necessary scrutiny themselves.

8.4 During the annual plan discussions, centrally sponsored schemes are discussed by the Planning Commission

mainly with the central ministries concerned and not as a rule with the state governments. The reason is that the central portion of such schemes forms part of the central plan and the schemes are executed by the state governments under the guidance and supervision of the central ministries. State governments, at the time of the preparation of their budgets, are usually not aware of the central assistance that would be forthcoming during the year for these schemes.

8.5 The Ministry of Finance obtains from the central ministries the state-wise break-up of the loans and grants to be given for centrally sponsored schemes. After the central budget is passed these figures are communicated to the states. These figures are not communicated before June each year and are sometimes indicated even later.

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8.6 It will be apparent from this description that, almost by definition as it were, central sponsoring implies an intrusion into the state sphere. The intrusion is not, technically, unconstitutional for it is protected by Article 282 but it is a question whether, with the help of the financial carrot such intrusion is desirable and conducive to the growth of healthy federal relationships. The device of central sponsoring was really meant to enable the centre to have its way in putting through development measures when there was a risk of the states not according the requisite priority to them. What were the measures that qualified for this treatment? There had to be some principle of selectivity and the working principles enunciated for classifying plan schemes as "centrally sponsored" were as follows:—

- (i) they should relate to demonstrations, pilot projects, surveys and research;
- (ii) they should have a regional or inter-state character;
- (iii) they should require lump sum provisions to be made until they could be broken down territorially; and
- (iv) they should have an overall significance from the all-India angle

Despite the vagueness of the last two these could in the main be said to be salutary principles. To keep in tune with the spirit of the planning strategy, such schemes should have been restricted to the minimum possible but in practice central ministries have not adhered to these principles and the original purpose of a centrally sponsored sector cannot be recognised in the expanded scope given to it in practice. Thus a number of schemes are included in it that are in nature indistinguishable from state plan schemes. Our studies show that much the heavier part of the outlay in the centrally sponsored sector does not conform to the working principles described above.

8.7 The centrally sponsored sector gives a foothold to ^{ACTUAL}USE the central ministries concerned in subjects allotted by the Constitution squarely to the states. This foothold has become firmer with the progressive increase in the centrally sponsored sector as will be evident from the sample analysis of a few sectors at Appendix 24. This analysis, which gives a comparison between the budget allotments for 1966-67 and 1962-63, shows that the proportion of central assistance earmarked through the centrally sponsored sector has increased generally in different sectors dealing with state subjects, although the increase is more sharp in some than in others. Thus the increase in the "Education" sector is from 9.5% (of the total central assistance for this sector) to 22.4%, and in the "Co-operation" sector from 24.1% to 52.5%. Figures for 1961-62, comparison with which would have been more apposite, are not easily available, or they may have shown the proportionate increase to be even sharper.

8.8 The central ministries are obviously going in for financing activities falling within the State List of subjects, outside the state plan, to a substantial extent and in the process acquiring a measure of detailed control over them. To this extent the result, for all practical purposes, is to make such subjects concurrent or central by the fiscal backdoor. The advisory organs of the ministries also tend to act as pressure groups urging expansion in this direction. Thus the Education Commission has suggested a large scale recourse to the centrally sponsored sector.

8.9 Although the Planning Commission has of late tended to resist the insistent demand of the ministries to expand the centrally sponsored sector, its resistance has obvious limitations.

A striking illustration is afforded by the decision of a sub-committee of the National Development Council to transfer the centrally sponsored schemes in the social welfare sector to the state plans. Despite the concurrence of the Planning Commission and the National Development Council to the suggestion, the schemes, at the insistence of the ministry concerned, were not decentralised. The general resistance of the Planning Commission and the National Development Council has borne some fruit as is demonstrated by the reduction of the amount eventually allotted to the centrally sponsored sector in the Fourth Plan, but this has to be seen against the mounting demand from the ministries for the expansion of this sector and their partial success in securing it.

8.10 The ostensible reason for over-stepping the bounds of the working principles enunciated is the need to secure adherence to national priorities and to vest in the centre the controlling authority for determining the format of a particular scheme considered nationally important so that it yields the best results.

8.11 The Planning Commission has now sought to expand the working principles enounced earlier and in the formulation of the Fourth Plan has proposed the following revised principles:—

- (i) schemes of national importance which the state might not otherwise take up;
- (ii) schemes likely to benefit a number of states;
- (iii) pilot projects for research and development;
- (iv) schemes which require maintenance of high standards in training;
- (v) schemes where central expertise and supervision are considered essential; and
- (vi) new schemes taken up after a five year plan is finalised.

The very vagueness of these criteria is likely to open up a vast field for inclusion in the centrally sponsored category.

8.12 The demerits observed when discussing centrally <sup>DRAW-
BACKS</sup> aided schemes are, generally speaking, all present in the centrally sponsored sector. Indeed, as virement is altogether ruled out here, some of them get accentuated. The arrangement relegates to the centre the responsibility of settling priorities in matters in the state sphere, and in a manner of speaking, compelling their acceptance by the states. It is defended by the citation of a similar practice in other federal countries, *e.g.* the United States of America and Australia. It has to be realised that the financial structure of our country is different in many ways from that of these countries. In the U.S.A., for instance, the federal government often gives grants directly to the local bodies and is constitutionally empowered to do so. Much more important than this, these countries have neither gone in for planning on the basis of a national consensus nor have other arrangements built into the system for meeting a major part of the development needs of the states after an assessment of their total requirements and resources. In our country, besides a regular process for determining grants-in-aid for non-plan needs (including maintenance of completed development schemes) an elaborate exercise is gone through for incremental development, involving the states intimately, as a result of which sectoral outlays are decided and priorities laid down. Grants for the entire state plan are again given by the centre, that for some crucial sectors even being inadmissible for reappropriation. No comparable exercise is undertaken in the countries mentioned above where planning of this nature does not exist. When this process itself gives the centre a great opportunity for influencing priorities it need not be furnished with yet another weapon for imposing its will. Indeed, the use of this weapon does detract from the value of the main planning exercise and by fettering the discretion of the states vitiates the process of consultation by which agreed priorities are arrived at.

8.13 Nor is this the only criticism that can be levelled against this system. Because of its unavoidably faulty mechanism the centrally sponsored sector often does not work well. Its limitations are brought out below :

- (i) the total resources available being limited, any expansion of the centrally sponsored sector curtails the states' sector under the plan. The money allocated to the centrally sponsored sector could have been earmarked for the state development plans if the centrally sponsored sector were not there;
- (ii) distortion in priorities is rather more of a danger here than in the centrally assisted schemes for it is difficult for any state government to resist the financial bait that the centrally sponsored schemes offer. The argument that this allurements is offered for the good cause of securing acceptance of national priorities cannot hold good for in practice several schemes of obviously low priority have been included in this sector, *e.g.* air-conditioning of mortuaries, rickshaw pullers co-operatives, sammelans and study tours of panchayat presidents, etc.;
- (iii) it is in principle incorrect to entrust the settlement of such priorities arbitrarily to the centre when the subject falls within the State List. The objection is not merely theoretical for in practice, as shown in (ii) above, the centre tends to introduce low priority schemes also in this sector;
- (iv) the details of these schemes are often not worked out by the ministries till the five year plan is far advanced. As the details are specifically laid down by the centre and as thereafter the states prepare and send up schemes for approval, considerable shortfalls occur. Thus the figure of shortfalls for the agriculture sector in the Third Plan was of

the order of Rs. 10.68 crores the original allocation being Rs. 32.64 crores. Obviously, this system is not successful in securing the proper execution of priority schemes, assuming that they do deserve priority;

- (v) the state governments at the time of the preparation of the budgets are not aware of the central assistance that will be forthcoming for these schemes, which is intimated earliest in June every year. The states are, therefore, prevented from planning properly; and
- ✓ (vi) the patterns prescribed are rigid and the schemes are often not carefully scrutinised either by the centre or by the states. Scrutiny becomes a casualty of divided responsibility and defective schemes are passed.

The illustrations at Appendices 25 and 26 reveal the complexity of the procedure which a case has to go through before decisions are taken, the long delays, and the large shortfalls that occur as a result, and the enormous time and labour consumed in the entire process. These illustrations are taken from a case of the Department of Agriculture, in which the question of establishing agricultural universities was dealt with. A number of committees was set up to examine the question and all of them strongly recommended the establishment of such universities in every state, some even working out details and blueprints. The administrative ministry agreed with this recommendation. The Planning Commission, however, did not initially agree and took a long time in forming its views despite great urgency shown by the administrative ministry. In the hurry shown by the ministry certain necessary stages of consultation were initially omitted, causing greater delay. Too much detail, *e.g.* scrutiny of bills prepared by the state governments cluttered up work at the centre and the last committee took about two years to submit its report. On the whole it took 7 years to finalise the scheme. Thereafter against the express wishes of the Planning Commission, proposals were invited, not from all the

states but only from six states. The illustration at Appendix 27 reveals the extraordinary fact that such schemes are sometimes converted from state plan schemes to centrally sponsored schemes with no intent other than the obvious one of getting the state better financial assistance.

8.14 An argument that was pressed before us was that these schemes helped to correct regional imbalances. There are two facets to this argument. One is that the poorer states are enabled to get higher allocations through this mechanism. This is a fallacious line of reasoning, for financial imbalances are expected to be corrected, in so far as they can be corrected, when determining the size of the state plan and its component of central assistance. There is no justification for attempting a surreptitious feat of balancing through the means of the centrally sponsored sector. Besides this argument is not borne out by facts. The analysis of figures at Appendix 28 belies it and possibly could be so interpreted as to draw the opposite inference. (For instance an amount of Rs. 218 lakhs has been earmarked for the co-operative sector in Maharashtra, where it is well developed as against Rs. 15 lakhs for Assam or Rs. 4.6 lakhs for Kerala). The second prong of this argument is that the states administratively and technically weak are helped by central involvement. The argument sounds good in theory, but in practice the schemes are executed by the states with whatever administrative and technical apparatus they have. The centre does not really involve itself in execution. Its involvement is limited to the scrutiny of schemes costing more than Rs. 10 lakhs (or Rs. 25 lakhs over a five year period). In the formulation of the schemes the centre is vitally concerned, but good technical advice does not need financial inducement to be accepted or even sought.

CONCLU-
SION

8.15 The centrally sponsored sector thus has substantial defects. The concept itself is assailable. The mechanism by which it is implemented is clumsy and dilatory. It encourages irresponsibility both in formulation and execution. In the latter, there is an unhealthy desire to spend the money to earn the assistance rather than to see that the money is well

spent. Thus a large amount was invested in various plans on schemes of soil conservation a large number of which it would appear from the report of the Programme Evaluation Organisation, were improperly executed. Indeed so inherently defective is the entire process that it has pertinently been called "planless planning". We see no necessity of continuing with a system whose capacity for good is outmatched by its demerits and would therefore recommend that the centrally sponsored sector should be abolished altogether.

8.16 Obviously the genuine objects that this category ^{SUBSTI.} ^{TUTES} purports to serve must continue to be served and it is by no means the intention to throw out the baby along with the bath water. It is as innovator and as inter-state co-ordinator that the centre could legitimately resort to central sponsoring. The abolition of the centrally sponsored category will terminate all chances of its misuse but need not prevent the centre from living up to its appointed role, for the discharge of which two devices will be available. One of these is central schemes, which can be selectively pressed into service and should be used more frequently than it is. An advantage gained will be that the responsibility of the centre to the Parliament for money spent will become well-defined where now it is dispersed and that there will be no financial baiting to gain acceptance of centrally determined priorities. Criteria for qualification for inclusion in the central sector have been spelt out in Chapter XI. The other device is that of tying assistance to schemes of crucial importance. Where the planners, viewing the plan as a whole, consider any programme to be of crucial importance, central assistance for that can be tied. Priorities for programmes will then be determined after taking an overall and not a sectoral view, and in consultation with the states. The advantage here will be that the priorities will be settled by a national consensus and will have a moral binding on the states. In both cases execution will be greatly facilitated.

8.17 Although our proposals will give the states an added measure of responsibility some of them might demur to such a step and prefer the present situation in which cent-

ral sponsoring gives them money over and above the state plan ceiling. This would be a short-sighted view. It must be assumed that the abolition of the centrally sponsored category will be taken account of when determining the total size of plan assistance to the states.

CHAPTER IX

THE FORMULATION OF PLANS AND THE SCRUTINY OF SCHEMES

9.1 The decentralization proposed in the previous chapters will bear the best fruit only if it is accompanied by (1) a strengthening of the process of plan formulation so that plans are well thought out beforehand and (2) a greater relaxation of the existing conditions for obtaining the administrative and technical clearance of the Central Government before executing certain schemes. Both these pre-execution stages of planning are dealt with in this chapter.

9.2 Preparatory work on a five year plan starts well in advance of its commencement. At the outset, a perspective paper on the dimensional aspect is prepared in the Planning Commission which indicates a broad outline for hammering out a five year plan. Normally this perspective planning covers the forward period of 15 years.

9.3 Two types of working groups are thereupon set up to help formulate state five year plans, one sectoral and the other territorial. The first group deals on an all-India basis with a particular subject like education, health, transport, and suggests the broad approach, the kind of schemes, the pattern of assistance etc., and ultimately works up these into the framework of a national plan for that activity. The second is an inter-departmental group for the state as a whole which is responsible for preparing the state plan. Both these groups are linked at the base and at the apex. Thus in every state there is a departmental group for each activity which provides the connection at the base between the inter-departmental group of the state and the main functional group at the centre. The links at the apex are the Planning Commission and the National Development Council.

9.4 Sectoral groups set up at the centre for various subjects consist of representatives of the Planning Commission and the central ministries concerned and normally meet under

the chairmanship of their secretaries. These groups do not generally associate state representatives, though some, *e.g.* those in the field of education and village industries, have done so in the past albeit inadequately. The bigger departments set up sub-groups which, in a few cases, include representatives from the states also. The central working groups and their sub-groups are expected to formulate proposals for the ensuing five years of the plan keeping in view the perspective plan documents and current and previous plan appraisals. The Third Five Year Plan had 22 such central working groups while 43 groups helped in the formulation of the Fourth Five Year Plan. On the basis of the studies done by the various working groups and of its estimate of resources, the Planning Commission gathers the main features of the plan and the principal magnitudes in the form of a "Memorandum" which contains the tentative composition of sectoral programmes.

9.5 Side by side, the states work through their own departmental working groups for formulating proposals, within the general framework, to cover their needs in the various sectors during the five year plan period. A rough indication of the size is given to the states for this purpose. The results of the studies at the centre and the states are pooled and drawn upon when preparing the Draft Outline of the Plan but specific conclusions are not arrived at at this stage on the details of the plans of individual states. On the basis of the discussions on the "Memorandum" and the studies of the working groups a "Draft Outline" is prepared and placed before the Council, after approval by the Central Cabinet.

9.6 After the draft outline of the all-India five year plan is published by the Planning Commission, a second exercise is undertaken by the states to review priorities and fill in details within revised estimates of financial resources. In some states, the draft plan prepared by the inter-departmental group is referred to a committee of the members of the state legislature or leading public men for advice before it is submitted to the Planning Commission. Some states also get this draft plan approved by the state legislature before coming up for discussion with the Planning Commission.

9.7 After the preparatory stages are over, special central working groups are set up by the Planning Commission for examining and discussing the draft plans of the states. Each working group consists of representatives of the central ministries concerned, the appropriate division of the Planning Commission and the departmental officers of the state governments. These working groups are presided over by the secretaries of the ministries concerned. The position of resources for the state concerned is determined by the working group on "resources" after discussions with the State's Planning Secretary and Finance Secretary. The sectoral working groups make their proposals in the light of the position of financial resources available by that time. These proposals are then scrutinised by the Programme Adviser of the Planning Commission in consultation with the senior officers of the state government headed by its Planning Secretary. The recommendations of the Programme Adviser are finally discussed in a meeting between the Planning Commission and the Chief Minister of the state as a result of which the plan allocation for the state concerned is finally settled. On the basis of the detailed discussions with the various states, all the state plans, together with the central plan, are collated in the form of a fresh memorandum which is placed before the National Development Council after clearance from the Central Cabinet. The conclusions reached on this memorandum become the basis of the final report on the five year plan. The five year plan is published and presented to the Parliament. Likewise every state publishes its plan and this is discussed by the state legislature. The state legislature is, technically, not bound by this plan and can change it if it is willing to forgo central assistance to that extent.

9.8 These procedures, evolved after experiment over a period of fifteen years, have led to a gradual improvement in the processes of formulation and inter-governmental consultation. And yet some weaknesses remain. Basically the objects of this entire exercise with the states are

- (i) to consult the states on and secure their commitment to the goals and objectives and the strategy of the plan;

- (ii) to ensure that the schemes evolved are well-conceived; and
- (iii) to ensure that the inter-sectoral and intra-sectoral priorities are properly determined.

These objects however are not always achieved. The first has been discussed in Chapter VI. As for the other two, a complete discussion will take us over the entire range of the organization and process of planning, a subject more appropriately for the Study Team on Planning to examine. We propose to confine ourselves to those weaknesses that have a bearing on centre-state relations.

9.9 Shortcomings in the framing of schemes can broadly be ascribed to the following reasons:

- (a) the planning process at present involves some degree of hurry and hustling and there is not that degree of cool and thorough consideration in conceiving and scrutinising schemes that can come only if continuous attention is devoted to the subject;
- (b) at the incipient stages of formulation there is inadequate involvement of the lower levels from which practical proposals, not necessarily fitting into specified patterns, can often emerge; and
- (c) the central ministries tend to insist on the incorporation of the schemes framed by them and the departmental groups establish a client relationship with the central working groups. They tend to accept the schemes framed by the central group without proper scrutiny.

9.10 The state inter-departmental group does not in fact do much real planning. Ideally it should work out the projected increase in the rate of income growth, go intensively into the question of co-ordination and inter-relation of different activities, show the capital-output coefficient and determine priorities in relation to the forecast of income and expenditure. In practice it is difficult for this group to plan on this basis because relevant information is not available as

there is no knowledge of central resources likely to be available till the national plan is roughed out and also perhaps because it is not as a rule supported by properly equipped expertise. Its efforts are therefore reflected in the collection rather than the selection of schemes presented by the various departments on the recommendation of the departmental groups. Some effort at indicating priorities is made but is rather rudimentary. Its plan assumes astronomical proportions and often does not have much coherence. The working of the functional group at the centre is not always of much assistance to the state group as it itself acquires, in part, the aspect of a pressure group. Determination of priorities is to that extent rendered more difficult.

The departmental working groups in the states do not quite fulfil the expectation that they will formulate their own schemes to suit local requirements, keeping in view, of course, the guidelines provided by the corresponding working groups at the centre. In practice, they tend to adopt wholesale the schemes suggested by the central working groups. An examination of the Third Plan of three states, selected at random, shows that in the programmes under "agriculture" 80 to 90% schemes suggested in the central group reports were adopted while "health" and "education" plans were almost totally built upon the centre's thinking. Many schemes are included in state plans not because the states consider them inherently important but because they carry patterns of assistance. A major defect in the entire process is the absence of proper technical scrutiny of schemes which becomes a casualty of divided responsibility, the functional group at the centre not being competent to consider them in the background of local needs and capacities and the one at the state level inclined to follow rather than to innovate. The performance of different states in this matter is unequal but the observation has proved true in many instances.

9.11 The working group exercise, far from being brushed aside, has proved useful but can prove much more so with better procedures, especially for consulting and involving the states, which should be encouraged, indeed made, to take

initiative and responsibility. Recognising this the National Development Council appointed five *ad hoc* committees to examine and assist in the formulation of the following aspects of the Fourth Plan:—

- (1) Agriculture and Irrigation;
- (2) Industry, Power and Transport;
- (3) Social Services;
- (4) Development of Hill Areas; and
- (5) Resources.

This does mark an effort to involve the states more closely but this effort ought to be supplemented.

RECOMM-
ENDATIONS

9.12 Improvement could be thought of along the following lines:—

- (i) the central working groups and their sub-groups should invariably have an adequate sprinkling of representatives from the state governments with different problems and varied political colouring. The central working groups should only lay down or locate the national needs, priorities and broadly the physical targets to be achieved. It should preferably not indicate or list individual schemes and it should be the function of the state working group to propose detailed schemes within the broad guidelines and framework suggested by central working group;
- (ii) every major department in a state should have an adequately manned planning cell headed by a senior officer responsible directly to the head for doing the work of planning on a continuous basis;
- (iii) the departmental officers concerned in the states should keep meeting their counterparts in the ministries for the exchange and clarification of ideas regarding future planning. Before the states' working groups actually finalise their schemes, their accredited representatives should have more than one opportunity of discussing the feasibility and

technical soundness of the schemes with the group or the sub-group at the centre;

- (iv) to enable them to perform their functions effectively (a) the officers constituting the group at the state level should be freed from routine duties for a few months so that they can devote their entire attention to the formulation of the five year plan; (b) where adequate expertise is not available with a particular state, suitable technical officers should be deputed to it for formulating and scrutinizing schemes and for training local officers and (c) state officers may be given training at the centre, both on the job and through training courses; and
- (v) evaluation as recommended in another chapter should continuously be done and its results taken account of when formulating plans.

9.13 It would facilitate co-ordination and the development of realistic views if an integrated view of planning and finance were also taken at the state level for which purpose the departments of finance and planning should be placed under a single minister and a single secretary.

9.14 All the later motions prescribed for the five year plan are repeated for the annual plan. As the guiding context is the annual performance and the resources available it is unnecessary to repeat the entire working group exercise in the course of the annual plan discussions. As within the state plan it is proposed to give the maximum practicable discretion to the state governments the annual plan discussions should be confined to the determination of the size of the plan after taking into account the relevant factors and for this purpose it is unnecessary to have discussions except with the Planning and the Finance Secretaries and, at most, with one or two other secretaries e.g., irrigation and power with whom the progress of work in their sectors may need to be discussed. It should not be necessary to form departmental working groups and to associate departmental officers in

annual plan discussion. The allocations between the different sectors can be settled by this small team in consultation with the Planning Commission.

9.15 During the mid-term new proposals can arise for fulfilling plan targets. Even otherwise, in a dynamic economy, new situations have to be faced. The present procedure for the inclusion of a new scheme in a five year plan is rather cumbersome. After a state government has decided to introduce a new scheme, by financial readjustment within the plan ceiling, it is required to approach the central ministry concerned and the Planning Commission for clearance. In obtaining this much wrangle and delay can occur, often purposeless for a persistent state is quite likely to win its point in the end with nothing but procrastination gained by tossing the case back and forth. The states should be allowed a freer hand in the matter than they are at the moment. As a matter of convention, the centre should accept any new scheme suggested by a state government as long as the scheme is of a developmental character. It may also be worthwhile to limit central clearance to one authority, say the central ministry, if the plan ceiling is adhered to.

9.16 Organisationally liaison with the states is maintained, besides the National Development Council, through the institution of the Programme Adviser. It would appear that the territorial jurisdictions of these officers are too wide and that their number needs to be increased. Indeed to facilitate the speedy disposal of business, the Planning Commission have posted, on an experimental basis, Planning Advisers in two states *viz.*, U.P. and Bihar. The results of this experiment are not yet available. If successful perhaps the strengthening and extension of this institution to all the states would be desirable. It may however be pointed out that with the decentralisation proposed, the work of the Planning Adviser will decrease. To that extent he could be utilized in an *ad-hoc* manner by the Central Government for other work also particularly of the liaison or co-ordinating variety.

9.17 The large measure of decentralisation proposed in Chapter VII needs corresponding measures in the matter of scrutiny and sanction of individual schemes. Indeed, to an

extent, decentralisation in plan financing must inevitably be, and can have meaning only if it is accompanied by decentralisation on the administrative side. Past practice in the Planning Commission would itself seem to recognise this principle. In the earliest stages of planning every individual scheme in the state plan required financial sanction from the centre and was subjected to central scrutiny. This procedure continued to be applicable to a majority of schemes right till 1958 when the condition of scheme-wise financial sanction by the centre was generally dispensed with. This step was accompanied by the removal of the condition of specific technical and administrative clearance of these schemes from the ministries or their agencies before execution. Certain exceptions, listed later in this chapter, were, however, made. The general tendency, therefore, has been towards decentralisation and the step taken in 1958 was in the right direction. This step, however, did not go far enough and another is required to synchronize with the other decentralising measures proposed.

9.18 State plan schemes can be divided into two categories:—

- (a) those not requiring any specific central scrutiny after inclusion in the plan; and
- (b) those requiring central scrutiny and sanction even after inclusion in the plan.

SCRUTINY
WHERE
CENTRAL
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A large number of schemes fall in category (a) as a result of the decentralisation effected in 1958. This does not, however, mean that scrutiny is not a problem here for as we have noted even in this sector there is all too often insufficient scrutiny before inclusion in the plan and the execution of the scheme. Centralising scrutiny is no solution, as has been found by experience, for neither at the time of the formulation of the five year plan nor at the time of the framing of the annual plan can any meaningful scrutiny of schemes be done without seriously clogging up work; discussion here is wide-ranging and takes place in general terms only. In fact, discussions with state officials last only about 24 hours and although the state governments send their proposals two to

three weeks in advance of the discussion much attention cannot be given by the Planning Commission or the central ministries within this limited period. Far from being a solution centralisation can only aggravate the problem. The only practicable solution while continuing to conduct scrutiny on a decentralised basis as far as possible is to strengthen state units where required and to streamline the processes of plan formulation as suggested earlier in this chapter.

SCHEMES
WHERE
CENTRAL
CLEARANCE
IS
REQUIRED

9.19 The second category of schemes consists of the exceptions which require specific clearance from the centre before they can be included in the annual plan and put into execution. These schemes are listed below.

- (i) New irrigation projects costing more than Rs. 15 lakhs are examined by the Central Water and Power Commission, the Ministry of Irrigation and Power and the Planning Commission, on the basis of information given on prescribed forms if the cost does not exceed Rs. 2 crores and in detail if the cost exceeds Rs. 2 crores, in which case the scheme has to be cleared by the Technical Advisory Committee of the Planning Commission and the letter of approval issued from the Planning Commission.
- (ii) Flood control, drainage, anti-water logging and anti-sea erosion schemes costing Rs. 25 lakhs or more, or having inter-state or international implications require clearance from the centre. In the case of schemes costing Rs. 1 crore or less, examination is done by the Central Water and Power Commission on the basis of information given in the prescribed forms only.
- (iii) All schemes for the generation and transmission of power of the order of 33 KV and above as also all distribution schemes and overall projects of rural electrification are required to be submitted to the Central Water and Power Commission and the Planning Commission for detailed scrutiny and clearance.

- (iv) Rural water supply schemes and urban water supply and drainage schemes whose estimated costs exceed Rs. 5 lakhs and Rs. 10 lakhs respectively have to be cleared by the Central Public Health Engineering Organisation. Schemes costing more than Rs. 1 crore have to be cleared by the Central Ministry of Health.
- (v) For setting up industrial estates, the administrative approval of the Development Commissioner, Small Scale Industries has to be obtained. In addition, under the Industries (Development & Regulation) Act 1951, industrial projects are required to be licensed or registered by the centre as follows:—
- (a) scheduled industries with fixed assets exceeding Rs. 10 lakhs need licence while those below this require to be registered at the centre. The same is the position in regard to industries involving coal, textiles, roller flour mills, oil seed crushing, vanaspati and matches;
 - (b) other industries, with fixed assets exceeding Rs. 25 lakhs need to be licensed and registered at the centre;
 - (c) all medium industries, with fixed assets exceeding Rs. 5 lakhs have to be registered with the Directorate General of Technical Development.

At the time of considering an application for licence or registration, the scrutiny takes into account manufacturing programmes, requirements of raw materials and capital equipment, the extent of fixed assets and capital structure, the number of shifts intended, the amount of foreign exchange involved, the market demand for the item proposed to be manufactured, the availability of material for manufacture and the technical feasibility of the scheme.

(vi) New schemes under technical education have to be examined and approved by the All India Council of Technical Education.

(vii) In April 1965 the Ministry of Finance (Department of Co-ordination) laid down that before any project involving an outlay of Rs. 5 crores or more was included in a state plan, the state government should obtain prior clearance from the Central Government (*i.e.* the administrative ministry and the Department of Co-ordination of the Ministry of Finance) before any demands were made or expenditure was incurred. Later on this requirement was extended to those projects the cost of which, though originally estimated to be less was found to have escalated to Rs. 5 crores or more. This procedure was introduced in order to ensure that—

- (a) projects involving large outlays (particularly in sectors like irrigation, flood control, power, industry, minerals and transport) were scrutinised in greater detail, expenditure was properly phased in the light of the available resources to reduce the time-lag between the completion of the scheme and the accrual of benefits, and large escalations in costs did not strain the states' financial resources and force them to reduce substantially outlays in other important plan schemes;
- (b) the state governments did not abuse their overdraft facilities and did not utilise the funds on huge projects without satisfying the centre about their economic and financial viability. In practice it is largely power and irrigation schemes that are covered by this circular as in other sectors there are very few schemes costing Rs. 5 crores or more.

9.20. The questions that need to be considered here are:—

- (i) what kind of schemes should come up to the centre for scrutiny?

- (ii) where should this scrutiny take place and what should the channel of correspondence be?

In answer to the main question the principle may be enunciated that where state governments have developed or can without much difficulty develop the required expertise for scrutinising schemes and where major financial issues are not involved, the responsibility for scrutiny and sanction should devolve wholly on the states. (Financially productive loan schemes discussed in Chapter III will provide a limitation to this principle). Regarding the residual schemes that may still have to come to the centre, the general principle should be that only technical scrutiny by the technical organisation concerned should be required and no administrative sanction should be necessary.

9.21 On these principles only the following schemes should come up to the centre for prior scrutiny:—

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- (a) new irrigation projects costing over Rs. 1 crore, for scrutiny in the prescribed form if the cost does not exceed Rs. 2 crores and for detailed scrutiny as at present by the CW&PC and the TAC of the Planning Commission if it exceeds Rs. 2 crores. For schemes costing less than Rs. 1 crore no approval should be necessary although information in the prescribed form should be sent to the CW&PC which need interfere only if there are inter-state implications;
- (b) flood control, drainage, anti-water logging and anti-sea erosion schemes on the same criteria as irrigation schemes;
- (c) all schemes for the generation and transmission of power of the order of 33 KV or above;
- (d) all industrial schemes costing more than Rs. 25 lakhs;
- (e) all new schemes of technical education;
- (f) all schemes in any sector costing more than Rs. 5 crores; and
- (g) financially productive loan schemes referred to in Chapter III and not covered by the above.

An item-wise discussion is at Appendix 29.

This degree of decentralisation assumes that the necessary expertise will be developed in those states which are at present deficient in them and that consultancy services to be availed of on a voluntary basis by the states will be provided by the technical organisations at the centre.

**SUMMARY
OF CON-
CLUSIONS**

9.22 To conclude:

- (1) the central working groups and their sub-groups should invariably have representatives from the state governments;

(paragraph 9.12(i))

- (2) the central working group should only lay down or locate the national needs, priorities and broadly the physical targets to be achieved. It should preferably not indicate or list individual schemes and it should be the function of the state working group to propose detailed schemes within the broad guidelines and framework suggested by the central working group;

(paragraph 9.12 (i))

- (3) every major department in a state should have an adequately manned planning cell headed by a senior officer responsible directly to the head for doing the work of planning on a continuous basis;

(paragraph 9.12 (ii))

- (4) the departmental officers in the states should keep meeting their counterparts in the ministries for the exchange and clarification of ideas regarding future plans. Before the states working groups actually finalise their schemes their accredited representatives should have more than one opportunity of discussing the schemes with the group or the sub-group at the centre;

(paragraph 9.12 (iii))

- (5) to enable them to perform their functions effectively

- (a) the officers constituting the group at the state level should be freed from routine duties for a few months so that they can devote

their entire attention to the formulation of the five year plan;

- (b) where adequate expertise is not available with a particular state, suitable technical officers should be deputed to it for formulating and scrutinising schemes and for training local officers; and**
- (c) state officers may be given training at the centre, both on the job and through training courses;**

(paragraph 9.12 (iv))

- (6) evaluation as recommended in another chapter should continuously be done and its results taken account of when formulating plans;**

(paragraph 9.12 (v))

- (7) the annual plan discussions should be confined to the determination of the size of the plan after taking into account the relevant factors and for this purpose discussions with the Planning and Finance Secretaries and, at most, with one or two other secretaries may take place. The allocations between the different sectors could be settled by this small team in consultation with the Planning Commission;**

(paragraph 9.14)

- (8) during mid-term the centre should, as a matter of convention, accept new schemes suggested by a state government, as long as the scheme is of a developmental character. It may also be worthwhile to limit central clearance to one authority, say, the central ministry, if the plan ceiling is adhered to;**

(paragraph 9.15)

- (9) the territorial jurisdictions of Programme Advisers are too wide and their number needs to be increased;**

(paragraph 9.16)

(10) the following schemes should come to the centre for prior scrutiny:

- (i) new irrigation projects costing over Rs. 1 crore, for scrutiny in the prescribed form if the cost does not exceed Rs. 2 crores and for detailed scrutiny as at present by the CW & PC and the TAC of the Planning Commission if it exceeds Rs. 2 crores. For schemes costing less than Rs. 1 crore information in the prescribed form should be sent to the CW & PC who need interfere only if there are inter-state implications;**
- (ii) flood control, drainage, anti-water logging and anti-sea erosion schemes on the same criteria as irrigation schemes;**
- (iii) all schemes for the generation and transmission of power of the order of 33 KV or above;**
- (iv) all industrial schemes costing more than Rs. 25 lakhs;**
- (v) all new schemes of technical education;**
- (vi) all schemes in any sector costing more than Rs. 5 crores;**
- (vii) financially productive loan schemes referred to in Chapter III and not covered by the above.**

(paragraph 9.21)

CHAPTER X

EVALUATION

10.1 Evaluation is an essential aid to planning. The term has come to be used for two different activities—short-term evaluation and long-term evaluation. The first relates primarily to execution and is used during the currency of a plan period for checking progress, locating bottle-necks and taking remedial measures. This is also sometimes called “internal evaluation”. Long term evaluation aims at assessing the degree of success or failure of programmes, analysing the causes of their success or failure, assessing their practicability, impact and worth-whileness and suggesting the application of policy correctives both in formulation and in execution. In this sense evaluation is a forward looking tool and not merely a post-mortem of the past. It postulates, therefore, that it should be done effectively and independently by an agency not charged directly with the responsibility of administering programmes. This chapter spells out arrangements for long term evaluation. Short term evaluation has already been discussed in Chapter VII.

10.2 Evaluation is at present looked after by the following organisations:—

- (i) the Programme Evaluation Organisation (PEO) attached to the Planning Commission;
- (ii) the Committee on Plan Projects (COPP) located in the Planning Commission;
- (iii) special teams set up on an *ad hoc* basis by the various ministries for making assessments of specified programmes; and
- (iv) evaluation organisations at the state level set up by some states.

10.3 This set-up, as it operates, has certain noticeable shortcomings. The states and the central ministries are not sufficiently involved. The total network of evaluation does not comprehensively embrace all major programmes. The selection of programmes does not follow any recognizable or

rational system of priorities. Several unimportant programmes are assessed while many major programmes remain untouched. There is insufficient co-ordination between the different agencies responsible for evaluation. And finally, there is inadequate follow-up of the evaluation reports.

FUNCTIONS
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CHARTER

10.4 The need for strengthening the evaluation organisation has been increasingly felt by the centre and by some of the states and the decentralisation proposed by us will provide an opportune moment for laying down the principle that as far as possible all major programmes should be assessed. There will naturally be physical limitations to the application of this principle and therefore some degree of selectivity will have to be resorted to. The mechanism for selection is suggested in a later paragraph. What is important is to stress the need for selecting the crucial programmes in their entirety and as many of the major programmes that remain as are physically possible.

10.5 In response to the growing need for evaluation, a working group under the chairmanship of Dr. V. K. R. V. Rao was set up by the Planning Commission in 1963 to study the evaluation set-up in the states and to make recommendations. This group after an elaborate study furnished an excellent report. Briefly, the report recommended that—

- (i) every state government should have an evaluation organisation as an integral part of the planning machinery. The evaluation organisation should function either as a wing or division of the Planning Department. It should not be under the administrative control of any other department;
- (ii) the Director of the organisation should be a technically competent and responsible person and given a status high enough to enable him to function effectively;
- (iii) the Bureau of Economics and Statistics and the evaluation organisation in the states should work in co-operation but be kept organisationally distinct and separate as the nature of work and the scope of function of the two were different.

- (iv) the evaluation organisation should have field units of its own for the collection of data and the field staff of the Bureau should not be utilised for this purpose;
- (v) a model pattern for the evaluation organisation (reproduced in Appendix 30) should be commended to the states but there might be some room for adaptations to suit local conditions;
- (vi) there should be an Evaluation Committee in each state with the Chief Secretary as Chairman, the Planning Secretary as convener and the secretaries in charge of the finance and one or two other departments as members; and
- (vii) 100% central grant to the states should be given to facilitate immediate action by the state governments during 1965-66. (Central assistance to the tune of 50% of the cost was approved for 1966-67 and the subsequent pattern of central assistance on this scheme is to be reviewed from year to year).

10.6 While commending this report, we would like to lay stress on the need to involve the departmental officers and experts both in the states and in the central ministries, to spell out with clarity the co-ordinating role of the central organisations and to avoid duplication of effort. Another look at the requirements of the evaluation organisation, supplementing that of the Rao Group, is therefore necessary.

10.7 Evaluation must be objective. Therefore, those conducting it must have a considerable degree of independence of outlook. Evaluation must give the correct results and must, therefore, have an insight into the actual working of the departments. Evaluation ought to be effective and therefore requires proper follow-up. There is some degree of conflict between the first two of these requirements and there can be a difference of opinion over their relative importance. It is important therefore to evolve an arrangement that harmonises the different considerations.

10.8 There can be the following possible patterns of an evaluation organisation:—

I—Evaluation may be entrusted to agencies totally outside government, like universities etc. This is not practicable for two reasons—

- (i) our universities are not properly equipped to take up this work; and
- (ii) evaluation from a totally outside point may not win governmental, and in particular departmental, co-operation and may therefore give an inaccurate analysis.

II—All evaluation may be done by a single centralised evaluation organisation under, say, the Planning Commission. This organisation could have expert groups for special subjects and teams in every state. Such an organisation would make evaluation too centralised and divorced from the realities of the situation and would not involve the states sufficiently to induce them to help in arriving at correct conclusions.

III—Evaluation may in the main be done by the central ministries concerned, their work being co-ordinated by a small central unit under the Planning Commission, the central ministries either having their own units in the states or securing information from the state departments concerned direct. This pattern suffers from some of the drawbacks listed under II above and is therefore not altogether workable.

IV—The set-up may consist of an evaluation cell in each of the major departments in the states, their work being co-ordinated by an evaluation organisation under the Planning Department of the state. There may be corresponding organisations in each ministry at the centre and in the Planning Commission. The basic work of evaluation would be done by the state departments under the guidance of the state planning evaluation agency

and with the help of experts from the central ministries. This alternative, however, suffers from the drawback that the executing departments might not take an objective view of their own programmes.

V—There should be a three-tier arrangement consisting of a Central Evaluation Agency (CEA) under the Planning Commission, an evaluation unit in each ministry, and an evaluation agency under the Planning Department of the state government. This structure (which is an extension of what the Rao Group proposed) seems to offer the best solution to the problem. The functioning visualised for this set-up is briefly spelt out below.

10.9. (i) *State level*

There will be a strong organisation at the state level headed preferably by an officer on deputation from the centre. This deputation is required not only for providing the necessary expertise, which at present most states lack but also the necessary independence of outlook. (This officer deputed, however, need not necessarily go always as the head of the state agency. In what capacity he goes will depend on the strength of the state organisation). This unit, to be attached to the Planning Department, will evaluate major programmes in the state and will associate in each evaluation task—

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- (a) one or two officers to be deputed by the specialist department concerned in the state;
- (b) an expert from the central ministry concerned if required or if this is otherwise indicated by the Central Evaluation Agency; and
- (c) one or more non-government specialists on payment of fee or honorarium if this is feasible and is likely to help.

Programmes to be evaluated will be selected by a committee on evaluation (whether purely official or mixed). Such programmes as are indicated by the National Development Council or the Central Evaluation Agency should be included in any case.

(ii) *Central ministries*

- (a) Each central ministry will be responsible for indicating to the Central Evaluation Agency the programmes in different states that should be evaluated and on which the association of an expert from the centre is necessary. The ministry will also be responsible for sending a technical expert for this evaluation in different states.
- (b) The ministry will be responsible for evaluating in conjunction with the Central Evaluation Agency, programmes executed by the centre or programmes of an inter-state character.
- (c) On the basis of the evaluation reports of all the states and of the centre, the ministry will be responsible for bringing out all-India reports of the evaluation of the individual programmes assessed, e.g. agriculture, health etc.

(iii) *The Central Evaluation Agency* will be responsible for—

- (a) obtaining the clearance of the National Development Council or one of its standing committees to the programmes to be assessed by itself in conjunction with the central ministry and thereafter evaluating them [same as ii(b)];
- (b) indicating the essential programmes to be evaluated by the different state governments through their evaluation organisations;
- (c) co-ordinating, in consultation with the ministries concerned, the time-table of evaluation programmes;
- (d) test checking, at its discretion, programmes already evaluated by the state agencies; and
- (e) the training of personnel for evaluation organisations in the states and in central ministries.

Follow-up

10.10 All reports of evaluation conducted by the state unit should go to the Planning Department of the state, the departments concerned in the state, the Planning Commission, the central ministries concerned and the Central Evaluation

Agency. They should also be placed before the state legislature. Reports of evaluation conducted by the centre should go to the Planning Commission, the ministries concerned, the states concerned and should also be placed before Parliament. It will be primarily for the state government and central ministries concerned, and eventually for the Planning Commission to apply correctives on the basis of these reports. It would be helpful if Parliament and the state legislatures were to develop procedures for scrutinising and discussing the more important of the evaluation reports presented to them. The sectoral parliamentary committees, visualised by the Study Team on the Machinery of the Government of India, could play a significant role here.

10.11 The machinery proposed by us would overcome the weaknesses in the existing system. It would, in the first place, involve the states and the centre intimately in the task of evaluation, an involvement that is necessary if the evaluation is to be realistic and forward looking and if its results are to be paid any heed. It would ensure a systematic coverage of the major programmes, their selection taking place on the basis of settled priorities. It would remove overlap between different evaluating agencies. Most important of all, by inviting discussion in the legislatures, it would redeem the evaluation reports from the neglect that is so often their fate today, and would thus enhance possibilities of effective follow-up.

10.12 This set-up differs slightly from that suggested by the Rao Group and can be considered as carrying their proposals a stage further. The main difference is that we envisage an integrated network with roles earmarked for each level and arrangements for co-ordination provided for, whereas the Rao Group visualised the continuance of separate and unco-ordinated evaluating agencies under the Planning Commission. Besides, we have emphasised the last and clinching stage of follow-up which has not been covered by that Group's proposals. We have also placed a certain emphasis on the personnel to be associated with the evaluation unit and the evaluating studies, an emphasis designed to secure both objectivity as well as intimate and expert knowledge of the activity studied.

10.13 To conclude :

- (1) there should a three-tier arrangement for evaluation, consisting of a Central Evaluation Agency (CEA) under the Planning Commission, an evaluation unit in each ministry and a strong evaluation agency under the Planning Department of the state government;

(paragraph 10.8)

- (2) the state evaluation agency, preferably headed by an officer on deputation from the centre, should be attached to the Planning Department and should evaluate major programmes in the states;

(paragraph 10.9)

- (3) (a) each central ministry should be responsible for indicating to the Central Evaluation Agency the programmes in different states that should be evaluated and on which the association of an expert from the centre is necessary. The ministry should also be responsible for sending a technical expert for this evaluation in different states;

- (b) the ministry should be responsible for evaluating, in conjunction with the Central Evaluation Agency, programmes executed by the centre or programmes of an inter-state character; and

- (c) on the basis of the evaluation reports of all the states and of the centre, the ministry should be responsible for bringing out an all-India report of the evaluation of the individual programmes assessed;

(paragraph 10.9)

- (4) the Central Evaluation Agency should be responsible for—

- (a) obtaining the clearance of the National Development Council to the programmes to be assessed by itself in conjunction with the

central ministry and thereafter evaluating them;

- (b) indicating the essential programmes to be evaluated by the different state governments by their evaluation organisations after obtaining the clearance of the National Development Council;
- (c) co-ordinating the phasing out of the evaluation programmes where experts from the ministries are to be associated in consultation with the ministries concerned;
- (d) test checking, at its discretion, programmes already evaluated by the state agencies; and
- (e) the training of personnel for evaluation organisations in the states/ministries;

(paragraph 10.9)

- (5) all reports of evaluation conducted by the state planning unit should go to the Planning Department of the state, the departments concerned in the state, the state legislature, the Planning Commission, the ministries concerned and the Central Evaluation Agency. Reports of evaluation conducted by the centre will go to the Planning Commission, the ministries concerned, the states concerned and will also be placed before Parliament.

(paragraph 10.10)

CHAPTER XI

THE ROLE OF CENTRAL AGENCIES DEALING WITH MATTERS IN THE STATE AND CONCURRENT LISTS

BASIC APPROACH

11.1 The specific mention in our terms of reference of "the growth of central agencies handling Concurrent and State List subjects" emphasizes the administrative effects of planning the centralising tendencies in which have resulted in a continuous expansion of these agencies. Before the plan, the task of the central agencies was to function as observers, co-ordinators and advisers. After the arrival of national planning, their role expanded greatly and although they have not quite acquired hierarchical supremacy over their counterpart organisations in the states they have tended to assume functions outstripping their legitimate jurisdiction. Some part of the expansion of their functions and size was inevitable and even desirable but much of it unnecessarily accrued to the centre and is unfit for retention there.

11.2 The existing role of the central ministries will undergo a considerable alteration in the new pattern of planning relationships suggested in this report in which for formulating plans the role both of the states and of the ministries will be strengthened. for executing them the states will be unfettered by any except minimal restrictions concerning the scrutiny of schemes, and, in which in particular there will be no place for centrally sponsored schemes or patterns of assistance for centrally aided schemes. In the new situation central ministries will be able to jettison a good deal of their present work and will need to concentrate on some important matters which now tend to get neglected. Which in specific terms will be the items that the central agencies will shed and which are those that will require their proper attention? With the guidelines worked out in this section, we have carried out functional studies of seven central organisations to see what in practical terms will be decentralised, what retained, and what

out of that which is retained will need more aggressive attention than in the past.

11.3 The organisations thus studied deal with:—

**ORGANISATIONS
STUDIED**

- (i) school education;
- (ii) small scale industries;
- (iii) minor irrigation;
- (iv) the National Co-operative Development Corporation;
- (v) animal husbandry;
- (iv) agricultural marketing; and
- (vii) social welfare.

The sample is fairly representative, covering both state and concurrent subjects and if it is weighted in favour of the former it is because it is there that the problem mainly lies. The detailed reports of these studies illustrate on the one hand the extent to which tasks have grown at these central points and, on the other, the neglect many of the most important matters have suffered from. Because of the concretised insight they provide of the working of these agencies we have considered it advisable to append the seven studies to our report and they appear as a special appendix in Volume III.

11.4 As was to be expected, these studies reveal that not nearly enough is being done by the central ministries and their associate organisations in relation to the states in certain spheres and too much has been taken on in certain others. The first is possibly a result of the second. The second, in turn, is basically the result of too great and too direct an involvement with actual schemes and is sometimes sought to be explained by the occurrence in Entry 20 of List III of the Seventh Schedule to the Constitution of the term “economic and social planning”. The purpose of this entry sometimes tends to get obscured. Some have tried to interpret this entry so as to include within it all activities relating to planning and development pursued by the centre and the states. According to this interpretation “economic and social planning” being a subject of very wide import by which almost any activity falling

**ECONOMIC
AND
SOCIAL
PLANNING
—ENTRY 20
IN LIST III
INTERPRE-
TED**

completely in the state sphere can be covered, the Central Government can encroach on most of the fields assigned to the states by the Constitution. This interpretation would lead to an obviously anomalous situation and would hardly conform to the intention of our federal Constitution. The entry must, therefore, be interpreted in a limited way and its meaning confined to charting schemes making provision and laying down methods for the co-ordination of activities and institutions, providing methods and guidelines by which new institutions designed to promote development may be brought into existence and fostered and even making provision for methods by which these institutions may be financed. It cannot be so construed as to embrace the actual foundation and maintenance of institutions like hospitals or schools. Even if the Central Government has predominant legislative powers in this regard it has not in practice resorted to these under Entry 20. The ambiguity of the term as well as political and administrative reasons would suggest the exercise of this restraint in the future also.

ROLE OF CENTRE

Central Schemes

11.5 It is not that the centre must shed every scheme that it is handling. As our studies show some degree of direct central involvement is desirable, indeed inescapable. This gives rise to a two-fold problem: to define the scope of this involvement and to discover the correct mechanism for it. The centre's true role in this context is as an innovator and co-ordinator, and with the abolition of centrally sponsored schemes, this role can be discharged—and discharged better—by central schemes. This mechanism, besides overcoming the disadvantages of centrally sponsored schemes, will have the additional advantage of clearly locating responsibility. A central scheme itself could either be implemented by the Central Government or through the agency of the state governments concerned. To see that this mechanism in turn is used properly and with restraint, criteria have to be developed for the entertainment of schemes in the central sector. These criteria, our study suggests, should be that:—

- (i) the scheme should inevitably have all-India or inter-state administrative implications and should be

such as can administratively be handled only centrally; or

- (ii) the scheme should be an experimental one to be made applicable to other states if the results are successful. It should continue as a central scheme only as long as it is experimental; or
- (iii) the scheme should be a model one. Here central functioning should ordinarily find expression in Union Territories only as otherwise a means would again be made available for the centre to start encroaching on the state sphere.

11.6 A distinction has to be made between experimental schemes where the centre acts as innovator and other schemes which can operationally be run by the centre only. The principle here needs to be propounded that in the latter category of schemes, while the actual operational tasks may be undertaken by the central organisation, payment should be made for them by the states benefiting. This is necessary to ensure that schemes taken on by the centre, at present with the cheerful concurrence of the states, are really beneficial and pass the only objective test of being considered so by their clients. This will ensure that there is no empire building and that no schemes are thoughtlessly put on the ground. Although the principle does not so require in practice a distinction may be observed between training schemes of a foundational nature and other training schemes. At this developing stage it should be the role of the centre to encourage, at its own cost, the strengthening of weaker development departments in the states and for this purpose foundational training undertaken by the centre *i.e.*, training of planners, training of trainers, should be considered as a legitimate charge on Central Government funds. Other training undertaken by the centre for operational reasons should invariably be paid for by the states in the form of capitation fees or in any other way.

11.7 A favourite argument with central ministries for keeping with themselves the work that ought to be devolved to the states is the administrative and technical incapacity of the states.

some among the latter. A reference to the details of the items suggested for decentralization here will show that they do not involve any serious personnel or organisational difficulties for the states and the pragmatic principle is not, in this sense, offended. (The other sense in which the pragmatic principle is urged, namely adherence to priorities, has already been discussed in previous chapters). The argument even otherwise is not to be readily accepted. The weakness of a state department is not an adequate reason for transferring responsibility from the state to the centre. Nor is spoon-feeding likely to develop the organisation sought to be saved from the burden of this responsibility. The proper role of the centre in such situations is to undertake measures, in co-operation with the states, to strengthen their weaker departments. This can be done by a variety of methods. One of these is by undertaking training of a foundational nature to which a reference has already been made. The other is to step in to fill gaps even in substantive professional training, either by conducting such training itself (at the cost of the states) or by deputing trainers to the states, or by arranging for such training abroad. Still another is the strengthening of such departments by a system of deputations from the centre to the states, which should be operated with the consent of the states after locating weak spots. The formation of new all-India services will also assist in such a programme. This entire area is one in which central endeavour can be most fruitful and to which sufficient importance has not been attached hitherto.

**Other Aspects
of Centre's
Role**

11.8 There are other important aspects of their legitimate role which have not received enough attention in the central ministries. Performance varies from organisation to organisation but the role of the central agency as leader, technical guide, disseminator of information, planner and evaluator needs more systematic attention than has been generally given. The centre here needs systems to keep itself informed of developments and progress in the states, as well as of relevant developments abroad, to train personnel for planning and to adopt techniques of planning based on adequate data and an analysis of different alternatives available.

11.9 These do not cover the entire range of legitimate central functioning in state subjects. An enumeration could here be attempted of all the functions that should come within the ambit of a central agency and such a list, to be true to the concepts evolved here and to cater to practical needs, should in our view consist of the following functions:—

- (i) serving as a clearing house of information intimating details and data about good programmes and techniques adopted in one part of the country to the rest of the country;
- (ii) undertaking the responsibility for drawing up the national plan for the development sector in question in close collaboration with the states, and developing for this purpose well-manned planning and statistical units;
- (iii) undertaking research at a national level, confining attention to matters which are beyond the research resources of states or which have a national import;
- (iv) taking the initiative in evaluation programmes with the object of checking progress, locating bottlenecks, taking remedial measures, making adjustments and so on;
- (v) undertaking directly activities or schemes which cater to regional or all-India needs;
- (vi) undertaking experimental projects;
- (vii) undertaking co-ordination with foreign governments and of programmes executed in agreement with them;
- (viii) undertaking training programmes of a foundational nature, *e.g.* training of planners and administrators and training of trainers and assisting the states in other ways in developing their administrative and technical capacity;

- (ix) effecting co-ordination among different state governments;
- (x) generally providing initiative and leadership by involvement in the items listed above and, in particular, providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guidelines and taking follow up action on the decisions taken in seminars and conferences convened by the centre;
- (xi) undertaking all work relating to foreign exchange;
- (xii) dealing with matters relating to the Union Territories;
- (xiii) dealing with all-India voluntary or autonomous organisations (as distinct from such organisations at the state or lower levels);
- (xiv) dealing with all work connected with the constitutional or statutory obligations of the Central Government; and
- (xv) parliamentary work.

Everything else should normally go out, mostly by delegation to the states.

11.10 It is important to note that in most ministries dealing with subjects in the State and Concurrent Lists a considerable body of work will be jettisoned by a faithful application of this list, formidable though it looks, and of the principles enunciated earlier in this section. This will be apparent from the studies appended in Volume III which contain recommendations consistent with the approach spelt out here. Mention is made in these reports of the exact items to be decentralised or retained. For each item a judgment is required whether or not it conforms to the criteria proposed here for retention. In some instances there may be valid differences of opinion whether some items satisfy these criteria, although in the main there should not be any controversy. The extent to which schemes are likely to be decentralised on the basis

of our studies can be gauged by the broad financial estimates for each sector in the table below :

Sector	Estimates of schemes decentralised (Rs. crores)	Estimates of schemes retained (Rs. crores)	Remarks
1. School education	38.59	Not available	1966-67 to 1970-71
2. Small scale industries	1.50	Not available	Do.
3. Minor irrigation	94.07	3.90	Do.
4. National Co-operative Development Corporation	102.00	19.00	Do.
5. Animal husbandry including dairying	3.69	17.99	Do.
6. Agricultural marketing	0.71	1.72	Do.
7. Social welfare	26.66	15.24	Do.

Although the itemised recommendations made in these studies are suggestive rather than definitive we recommend that the departments concerned give them serious consideration. We suggest also that Government undertake similar studies in other central agencies and work out the ideas given here to their logical conclusion.

11.11 The role of autonomous central organisations in state subjects created or largely financed by a ministry must not be allowed to exceed that of the ministry. The possibility of the use of such organisations for a massive encroachment on state subjects cannot be discounted. The National Co-operative Development Corporation and the Central Social Welfare Board provide ready examples. Unless restraints are placed on these similar to those recommended for the ministries, the latter may tend to circumvent these by creating autonomous organisations and channelizing funds through them. The criteria mentioned above for the entertainment of activities by them should *mutatis mutandis* be made applicable to them also.

11.12 The role of the Central Government in regard to state subjects is clear enough; that in regard to concurrent subjects is naturally not so clear. The degree of central involvement in an area of concurrent jurisdiction varies from subject to subject and from situation to situation. There can be

no thumb rule for determining the extent of central involvement in all such subjects, and this determination has to follow considerations of practicality. According to the Constitution the centre has overriding legislative power but until it exercises this legislative power the subject has to be treated as a state subject. This constitutional position itself gives the clue to the approach that the centre should generally have in relation to such subjects. The centre should try to confine itself to laying down laws, rules and lines of guidance but should entrust the substantive activity in the field itself to the states except where urgent practical considerations warrant otherwise.

AGRICUL-
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CURRENT
SUBJECT

11.13 A word about our studies in the agriculture sector would be pertinent here. By a constitutional amendment (Entry 33 in List III) the production, among other activities, of foodstuffs (including edible oilseeds and oils), cattle fodder, raw cotton and raw jute has become a concurrent subject. These items together form much the largest part of agricultural produce. If the word "production" occurring in this entry has to be given a wide import agriculture for the most part must be deemed to have become a concurrent subject. In that case the amendment of this entry has introduced an element of confusion in that Entry 14 in List II reading "Agriculture including agricultural education and research, protection against pests and prevention of plant diseases" has not been amended. If the term "production" is to carry a limited import, it is not clear at all what that limitation is.

The confusion needs to be resolved through a parliamentary review so that responsibility is clearly defined. It appears to us that agriculture should administratively be treated as a state subject and that central encroachment in the shape of the assumption of responsibility for substantive activity should not be permissible. However, considering the importance of agriculture to the national economy, the centre should have the right to lay down overall policies and, if necessary, legislate for them. In actual practice the entry has been used by the centre, notably through the National Co-operative Development Corporation, for undertaking substantive activity in this sector. It is precisely because of the danger of such use

of this entry, causing a blurring of lines of responsibility, that a clarification of the import of this entry is required. For purposes of our studies in Volume III we have, for all practical purposes, treated agriculture as a state responsibility.

11.14 To conclude :

- (1) the central agencies should concern themselves only with items of work listed in paragraph 11.9;

**SUMMARY
OF CON-
CLUSIONS**

- (2) all other work should be decentralised to the states, especially that relating to actual schemes;
(paragraph 11.9)

- (3) the criteria to be followed for the inclusion of schemes in the central sector should be as given in paragraphs 11.5 and 11.6;

- (4) central ministries should take special steps to strengthen their counterpart organisations in the states;

(paragraph 11.7)

- (5) the role of the central ministries as guide, planner and evaluator needs more attention;

(paragraph 11.8)

- (6) the criteria mentioned for the central ministries should also be applicable to the autonomous organisations created by them;

(paragraph 11.11)

- (7) the ministries concerned should give earnest consideration to the recommendations made in the study reports in Volume III;

(paragraph 11.10)

- (8) studies similar to those in Volume III should be conducted in the other departments/divisions concerned;

(paragraph 11.10)

- (9) the import of Entry 33 in List III relating to the production of foodstuffs needs to be clarified.

(paragraph 11.13)

SECTION III

CENTRE-STATE RELATIONSHIPS IN SPHERES OTHER THAN PLANNING AND DEVELOPMENT

CHAPTER XII

STATEMENT OF THE PROBLEM

12.1 The Commission's terms of reference require that centre-state relationships in this field should be studied "with particular reference to the needs of national integration and of maintaining efficient standards of administration throughout the country" ^{INTRODUCTORY}

12.2 Public administration does not relate to the doings of the executive alone, but embraces institutions like judicial administration, the Public Service Commissions, and various other constitutional bodies. Therefore, a survey of federal relations in this field must encompass these institutions and cannot be confined to normal executive traffic.

12.3 The area to be covered is thus vast. Also the matters to be dealt with are heterogeneous in character, unlike those in the field of planning and development which though diverse have a common theme holding them together. The Commission's terms of reference imply that there should be a purpose about centre-state relationships in this field. How should this purpose be defined so that there is a unity of approach to such disparate subjects?

12.4 The Constitution provides the setting in which an attempt to work out guiding principles for governing federal relations in this field has to be viewed. This setting has been described in the introductory chapter of this report. Broadly, the conclusions affirmed there are that the Indian polity is not a federation in the traditional sense, and that the federal structure is primarily a functional arrangement, necessary because a large country can be governed only in this way. When the functional arrangement is deficient the deficiencies should be removed, after a full and frank discussion to be sure, but without any inhibitions introduced by rigid and erroneous conceptions of autonomy. Power must be viewed not as the sovereign and immutable right of the authority in which it happens to be located today but as an instrument

for providing good administration, which ought, therefore, to lodge where it can best be used. The division of powers in the Constitution attempts, in its judgment, to secure precisely this, devolving on the centre powers that can best be handled by the centre and on the states those handled best by the states. If the experience acquired during the last seventeen years regarding the use of these powers by both sides points to the need for adjustments, either way, such adjustments should not be shied from.

GENERAL APPROACH

12.5 In this setting attention has to be focussed on the two items specifically mentioned in the terms of reference. In regard to national integration, four landmarks may first be taken note of in a quick survey of past events. The first was the spectacular integration of the erstwhile princely states with the rest of the country. The second was the reorganisation of states on linguistic lines in 1956, followed by a series of steps, of unproven efficacy, to offset the separatist effects of setting up linguistic states (the most important being the creation of zonal councils). The third was the setting up of a National Integration Council in 1961 following linguistic tensions and disturbances: this has not met since June 1962 and is now in a moribund state. The fourth was aggression on the country first by China and then by Pakistan, which brought out a degree of national fervour that seemed for a while to render all talk of national integration superfluous. But the problem is still there, as is recognized by the terms of reference, and may well acquire difficult proportions in future now that the father figures of independence have gone and single party rule at the centre and in the states is no longer a permanent feature. Aspects of this problem concerning policy (linguistic or other) or the constitutional framework (involving such issues as whether there should be states at all) are clearly outside the Commission's terms of reference. But aspects that are basically administrative must be considered, and these seem to call for a strengthening of institutions at the national level.

12.6 There is, next, the consideration of maintaining efficient standards of administration throughout the country. This must be viewed in the background of the circumstances

that have given rise to this as a pressing problem. The functioning of any democracy often places pressures on the administration and produces corrupting effect. This is more so in the early stages of political growth. Here in India such pressures operate more acutely in the states for the reason that the subjects handled by the state governments bring them in direct and intimate contact with the people. The risk of the administration being undermined by unhealthy influences is therefore more acute in the states. The evidence of what has happened in some states lends support to this view. The administration in some states in the past has been perverted and corrupted to such an extent as to shake public confidence. When things begin going wrong in a state the people look to the centre for redress and instances of central intervention are there, sometimes on the political network and sometimes on the administrative and constitutional. Often the intervention has been ineffective or too late. Whether dramatic or reluctant, whether justified or not, such intervention (and even abstention in some instances from such intervention) tends to have political motives ascribed to it. While political discretion has to be exercised in every case on its merits, what is required, on a long term view, is a system that will enable public administration to sustain healthy democratic processes and to withstand corroding influences. There are in the administrative machinery crucial points which if protected against such corrosion can enable the machine to run with some degree of efficiency and can help in preventing the corrosion from becoming all pervasive. These crucial points need to be identified and effective protective arrangements devised for them based on a national approach to the problem of public administration.

12.7 The greater vulnerability of the states to damaging influences must not obscure from view the danger of such influences gaining the upper hand in the centre at certain points where the centre happens to be more exposed to temptation. A consideration of this problem must therefore embrace all such areas where federal relations are or should be involved.

12.8 This carries the implication that there ought to be a national policy on public administration. A conceptual approach would suggest that such a policy should have two planks. The first would require the administrative institutions of fundamental importance from a national angle to be listed and a national policy spelt out for each clearly indicating the standards and patterns which should obtain throughout the country. This policy would embrace all such institutions towards which a uniform and nationally accepted approach is desirable, even though they might be operating primarily for and within the state complex and may have no overtly federal purpose to serve. The second plank of this policy would require a built-in-machinery to see that the national standards are in fact upheld and that national patterns of administration are not lightly altered.

12.9 This policy of treating selected sectors in administration as of national importance and devising special arrangements for strengthening them is not startlingly novel. It finds tacit recognition in the Constitution itself. Thus special provisions exist in the Constitution regarding the higher judiciary, audit, the all-India services and certain other institutions. What is necessary is to see how the existing arrangements for selective treatment are working and whether there is any need for strengthening and extending them.

12.10 These institutions could conceptually be considered as falling in two distinct sectors. One is what might be called the "environmental sector", an expression connoting those aspects or institutions of public administration which are not integral parts of the executive administration of the states but which, while expected to remain uninfluenced themselves, influence it in various ways. Severally and jointly they provide the environment within which the executive functions, and this underlines the need to keep them in a state of good health. In this sector could be identified the judiciary, the Public Service Commissions, the election machinery and the various institutions at the national level dealing with environmental factors in financial administration (the Comptroller and Auditor General, the Reserve Bank of India etc.). To these could perhaps be added arrangements devised for the

settlement of inter-state disputes. The other sector relates to the executive core where central involvement is at present largely confined to the all-India services and to its limited and special relationship with the Governor. In this sector could also be included basic aspects of administration that have an overall national significance, *e.g.*, the pattern of district administration.

12.11 In both these sectors there are institutions regarding which the statute assigns a role to the centre and enables it to give effect to a national policy that may be arrived at. There are others in which the centre does not have any constitutional responsibility but for which a national policy is nevertheless necessary if a certain basic uniformity in the standards of administration is to be assured and the unity of the essential administrative fabric preserved. Policy on these matters must gain national acceptance after consultations with the states. Links where they do not exist at present should then be forged with the centre, for in implementing any national policy the assignment of some role to the centre is inescapable. This role, besides being co-ordinative, would cast on the centre the duty to take the initiative in evolving standards and patterns for institutions of crucial importance and, in some cases, to see that they are followed. The links thus established with the centre may be statutory or non-statutory depending on the nature of the problem and the limits to which any escalation in central authority should be allowed in a federal set-up. At one end of the scale will be the situation for which it may administratively be best to give the centre a decisive role by furnishing it with statutory powers. At the other end will be the case in which its role will be to think, activate and co-ordinate in accordance with the principles laid down by national policy, the final decision-making power residing with the states. The maxim followed should be that the spirit of the Constitution should be preserved even if the letter has to be changed.

12.12 The first institution to be considered here is judicial administration which must impartially uphold the law and help to contain executive administration within the rule

of law. The health of the judicial system depends a good deal on the men administering justice at the highest level. If appointments of unsatisfactory personnel can be induced through political patronage and manoeuvre, conditions are straightway created for eroding the citadel of justice and destroying the confidence of the people in the entire system. Recognising the key importance of the higher judicial system, the Constitution lists High Courts as a central subject. The actual procedures followed for the selection of judges for a particular High Court, however, allow the assertion of influence by the executive of that state, resulting in subtle encroachments on judicial independence. Here then is an eminently fit point for a national policy to be evolved which ensures the highest possible standards in this sector of public administration.

12.13 Next on the list are the Public Service Commissions which are meant to advise and assist the state governments in certain fields of personnel administration, viz., recruitment, promotion and discipline. The tone of administration depends to a large extent on the quality of the public servant. The calibre of the recruit thus becomes the foundation on which the edifice of administration stands. The healthy functioning of State Commissions is of vital importance in maintaining efficient standards of administration. Although the State Commissions are creatures of the Constitution, their composition and organisation are subjects in the State List. It is as important for Public Service Commissions to function efficiently and independently as it is for the higher judiciary. The safeguards provided by the Constitution to secure this independence have proved rather less effective than those provided for High Courts, and the quality of work done by State Commissions has gone down in recent years. The root cause of the decline appears to be a tendency on the part of some state executives to pack their Commissions with sub-standard members often for political reasons. There is a clear need for evolving a national policy regarding State Public Service Commissions, which ensures that they function with independence and a high degree of competence. And if there is a case for a national policy here, it is difficult to avoid

allotting at least a co-ordinating role in that to the centre and the Union Public Service Commission.

12.14 There is then the Election Commission. Free and fair elections are the cornerstone of democracy. But the Election Commission, although deriving its authority direct from the Constitution, depends entirely on the state executives for the conduct of elections and does not have separate machinery of its own. While by and large the election machinery functions impartially, cases have occurred in which officers charged with the conduct of elections have been guilty of deliberate lapses. Such instances undermine the confidence of the public and injure democracy. The subject is a delicate one, since any defects in the present system are unlikely to be regarded as such by those who have benefited from them. Nevertheless it is worth considering whether the Election Commission can be enabled to exercise closer control and surveillance so that possibilities of mischief are reduced as much as possible.

12.15 Inter-state disputes need to be settled quickly and impartially otherwise they become festering sores which create friction, prevent development, give a perverse direction to the energies of people and governments and generate hard feelings on all sides. These disputes relate in the main to border claims or to the sharing of waters. The first is primarily a political problem and has been left out of this study. The second is basically an administrative matter and needs consideration here. The Constitution makes available to the centre machinery under Article 262 for settling such disputes but in actual practice recourse to this has never been had. Proposals have therefore been made in this section for strengthening the procedure for securing the impartial and quick adjudication of such disputes.

12.16 Two items qualifying for the environmental sector have not been discussed in this section.

The first relates to the redress of public grievances especially against the misdoings of political executives and senior administrators. The Administrative Reforms Commission has separately recommended the establishment of an Ombudsman-type institution and we have, therefore, nothing to say on this

subject except that if and when such an arrangement comes into being it could become a powerful environmental agency inducing high standards of administrative action and behaviour within executive governments.

The second relates to the national aspects of financial administration represented by the functions performed by the Governor of the Reserve Bank, the Comptroller and Auditor General, and the Finance Commission. Any unsatisfactory features relating to the first two are for the study teams on financial administration to go into and concern us at best in a peripheral sense. We have, therefore, desisted from bringing these within the compass of our examination. As for the third, recommendations have already been made in Section I of this report.

12.17 It will be apparent that, highly heterogeneous in character though the different institutions taken up here may be, they are, for the most part, distinguished by the common principle that their quality and the independent functioning must be assured. For each a national policy must be formulated to secure this end, the ingredients of such a policy being arrived at after consultations with the states. What, in our opinion, these ingredients should be, has been spelt out in the succeeding chapters in this section of our report.

12.18 The strengthening of the environmental sector, however necessary, can have but a limited effect for it is after all concerned only with the environment. Would it be desirable to have a national policy regarding key points in the executive core of public administration? While it is conceivable that the machinery on the environmental side should be tightened from a national angle, it is difficult to have such an approach to the executive core of public administration because the concept of intervention from the centre cuts into that of democratic functioning at the state level. Too much central interference in this sector can wreck any federation and any measures devised here must therefore be carefully considered so that the medicine does not kill the patient.

12.19 One such measure has been prescribed by the Constitution itself in which a clause is inserted about the all-India services. The subject is of paramount importance from

various angles, not least that of centre-state relationships, and an examination of the manner in which constitutional intention has been given effect to and constitutional expectation sought to be realised would not only be relevant but necessary. The two all-India services, the Indian Administrative Service and the Indian Police Service, were constituted to facilitate liaison between the centre and the states, to ensure efficiency in administration, and to provide contentment and security to the higher services. The IAS was intended to provide top management personnel and to be manned so as to give a uniformly efficient administration throughout the country. At the time of launching these services, Sardar Patel was quite clear that they were being instituted to provide high quality personnel who would be enabled to withstand local political pressures and favouritism. In their short existence of twenty years, the existing all-India services have had a chequered history. Although management policies in relation to them have not yet stabilised, the statement will probably bear scrutiny that some of these policies have made such serious inroads into the character and functioning of these services that, if not reversed, irretrievable damage may be caused to their efficiency, impartiality and all-India outlook. What is required is a restatement of the purpose of these services and a reshaping of management policy aimed at ensuring the fulfilment of the stated purpose. In both matters, fresh thinking must commence (and in some matters has commenced) at the centre, for the centre carries a special responsibility in regard to these services. However, no amount of central initiative and vigilance will do any good unless state political executives cease to think of all-India services as alien agencies, which must be broken into what is required of them locally, either through large scale dilution of their ranks or through other measures.

12.20 Allied to this is the question of establishing new all-India services. A move towards new all-India services was first made by the States Re-organisation Commission in 1956. This was confirmed by the National Integration Council in 1961, and the present position is that an Indian Forest Service has been constituted. The formation of other services is at various stages of consideration and it appears that by the time the Commission makes its report a few more services may have

come into being. This is an excellent development, but we would like to stress that when these services do come into being, their management should not suffer from the defects that have been noticed in the case of the existing all-India services.

12.21 The Governor is an important link between the centre and a state. A part of the Governor's role is, or can be, administrative in character and a study of this role and of the conditions requiring the proper discharge of it are relevant in this context. Such a study would be unnecessary if the Governor's role were wholly formal, never calling for the exercise of his own judgment. But this is not so, for although he is a constitutional head, the Governor does have to exercise his own judgment in certain matters, some of which are of great moment. The study would be beyond our terms of reference if the Governor were to be regarded as merely a part of the state apparatus. But again that is not so, for besides being the executive head of the state he is a link with the centre, as he is appointed by and can be dismissed by the President, and, in certain circumstances, can be asked to act as his agent. It is appropriate therefore to include here a study of his role. In his case, because of the political significance of his role, it will not suffice to place emphasis on freedom from the state executive alone. His independent functioning, to the extent envisaged by the Constitution, requires that this freedom should be secured even from the political executive at the centre so that confidence in the institution is built all round. The most important link of the executive with this institution is the power of appointment which vests in the centre. Some procedures are required to be devised to secure these appointments in as non-partisan a manner as is possible as the entire nation has a stake in them. An important guideline to be observed here is that no basic tenet of the Constitution should be violated or sought to be changed. We have accordingly examined procedures to ensure good appointments and to secure the proper discharge of his duties.

12.22 While we have not included any other aspect for treatment in this sector different aspects will, at different times, be unearthed for consideration by the country for the evolution of a national policy. The instance of district administration

suggests itself. The pattern of district administration has given a certain unity to the structure of Indian administration. Changes in this pattern are technically within the competence of the states and yet it would not be desirable for any state to make radical changes unilaterally. Questions pertaining to such basic matters can arise from time to time. They need not always be the same, for different situations will force different issues. In all such situations, governments at the centre and the states must take note of the fact that the preservation of unity in administration and the prevention of the confusion stemming from a plethora of systems require that the basic pattern in any state should conform to the national pattern which should be determined by a process of national consultation in which the centre and the states participate fully. Decisions thus arrived at should be adhered to by each state as an act of self-discipline necessary in the national interest.

12.23 This takes us to the question of establishing a **FORUM FOR INTER-STATE CONSULTATION** regular and institutionalized forum in which consultation with the states in major matters of national importance can systematically take place. The need for such consultations cannot be questioned. At present it is sought to be fulfilled by *ad hoc* arrangements independently made by different organs of the Central Government. Their manner of working often leaves much to be desired. Earlier the need for a regular and systematic forum did not press itself possibly because of the availability for consultation of the extra-constitutional channel of the party in a situation in which a single party was in power in the centre and the states. That being no longer the case the desideratum has to be recognised and provided for. We have accordingly discussed the question of having an Inter-State Council. This subject concerns itself with all the three aspects of centre-state relationships represented by the three sections of this report. It has been taken up in this section primarily because we wished to take it up after traversing all the other ground.

12.24 The matters to which we have addressed ourselves in this section thus relate to:

A—High Court Judges

B—Public Service Commissions

- C—The Election Machinery
- D—Inter-State Water Disputes
- E—The All-India Services
- F—The Governor
- G—An Inter-State Council.

CHAPTER XIII

HIGH COURT JUDGES

13.1 Although the administration of justice is a state ^{HIGH COURTS} subject, the constitution and organisation of the Supreme ^{INDEPENDENCE OF RELATIONSHIP WITH CENTRE} Court and the High Courts have been specifically enumerated in List I (Union List) of the Seventh Schedule to the Constitution of India. The underlying object in the minds of the Constitution-makers seems to have been to insulate apex courts from local influences, thus furnishing the minimum conditions necessary for the independent and impartial administration of justice at these as well as at lower levels. The feeling has however grown over a period of time that the judiciary even at the apex levels is not always as independent as it should be and that there has been a considerable decline in the calibre of judges appointed to High Courts.

13.2 The impression is strengthened by the findings of ^{OBSERVATIONS OF THE LAW COMMISSION} the Law Commission which was set up in 1955 to review the system of judicial administration and examine Central Acts of general application and importance. The Commission furnished its report on the Reform of Judicial Administration in 1958. Its review of the functioning of the High Courts revealed certain unsatisfactory trends. The quality and output of work left much to be desired in many instances. The heavy accumulation of arrears had created "a grave situation". After collecting evidence all over the country and conducting a detailed scrutiny the Commission traced the main cause of this state of affairs to unsatisfactory procedures of appointment which were responsible for delays in filling vacancies in the High Courts and the induction of unsuitable personnel.

Some of the important recommendations of the Commission aimed at remedying this state of affairs remained unaccepted. A review now could well start with the thinking of the Commission, the basic objective being to secure, as completely as possible, the independence of the judiciary and the appointment of men of the requisite quality.

APPOINTMENT OF JUDGES

13.3 The Law Commission attributed unsatisfactory appointments to—

- (a) the existing procedure which enabled the political executive at the state level to induce wrong selections;
- (b) the paucity of suitable men in some states; and
- (c) the existing conditions regarding the eligibility of service personnel which needed alteration.

CONSTITUTIONAL PROVISIONS REGARDING PERMANENT APPOINTMENTS

13.4 The procedure governing the permanent appointment and conditions of office of a Judge of a High Court is laid down in Article 217(1) of the Constitution the relevant portion of which is reproduced below:—

“Every Judge of a High Court shall be appointed by the President by warrant under his hand and seal after consultation with the Chief Justice of India, the Governor of the State, and in the case of appointment of a Judge other than the Chief Justice, the Chief Justice of the High Court, and shall hold office, in the case of an additional or acting Judge, as provided in Article 224, and in any other case, until he attains the age of sixty two years”.

MEMORANDUM OF PROCEDURE

13.5 According to a Memorandum of Procedure drawn up as a drill to implement this provision, when a permanent vacancy is expected to arise in the office of a judge, the Chief Justice communicates, as early as possible, to the Chief Minister of the state his views as to the person to be selected for permanent appointment. The Chief Minister, in consultation with the Governor, forwards his recommendation to the Union Minister of Home Affairs, along with full details of the person recommended. When the Chief Minister or the Governor proposes to recommend a person different from the one put forward by the Chief Justice, the Chief Justice is informed accordingly and his comments invited. These comments are forwarded along with the communication from the Chief Minister to the Union Minister of Home Affairs, who, in consultation with the Chief Justice of India

and the Prime Minister, advises the President as to the selection. The same procedure is observed with regard to the appointment of the Chief Justice except that the recommendation for the appointment of a Chief Justice originates from the Chief Minister.

13.6 The correspondence between the Chief Justice and the Chief Minister and the correspondence between the Chief Minister and the Governor is made in writing and copies of the correspondence are forwarded to the Union Minister of Home Affairs along with the Chief Minister's recommendation. The Chief Justice has, however, recently (and after consideration of the Law Commission's report) been authorised to send directly to the Union Minister of Home Affairs and the Chief Justice of India a copy of his correspondence with the Chief Minister.

13.7 As soon as the appointment is approved the Home Secretary informs the Chief Minister, who obtains from the person selected—

- (a) a certificate of physical fitness signed by the Civil Surgeon or the District Medical Officer; and
- (b) a certificate of the date of his birth.

The Chief Minister forwards the documents to the Ministry of Home Affairs. Medical certificates are obtained from all persons selected for appointment whether they are at the time of appointment in the service of state governments or not. After the warrant of appointment is signed by the President the appointment is announced and the Home Ministry issues the necessary notification in the Gazette of India.

13.8 The procedure for the appointment of additional judges is substantially the same. The general policy is not to appoint members of the Bar as acting judges and to appoint them as additional judges only if they are likely to be appointed to permanent vacancies during their period of tenure as additional judges.

13.9 According to Article 163 of the Constitution the Council of Ministers with the Chief Minister at the head is

PROCEDURE FOR APPOINTMENT OF ADDITIONAL AND ACTING JUDGES

ROLE OF GOVERNOR

to aid and advise the Governor in the exercise of his functions, except in those cases where the Governor is required to exercise his functions or any of them in his discretion. In the matter of appointment of judges of a High Court, the Governor acts not in his discretion but on the advice of the Chief Minister.

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13.10 During the course of its examination of the procedure of appointment of judges of High Courts there was trenchant criticism before the Law Commission of the selection of unsatisfactory judicial personnel. This criticism was made by a large number of responsible and knowledgeable persons representing different cross sections in the world of judicial administration. The Commission considered this criticism valid and came to the clear conclusion that many questionable appointments had been made to the High Courts on political, regional or other grounds. The Commission ascribed the weakness emphatically to the existing procedure which made the influence of the state executive dominant and permitted it to induce unsatisfactory selections. The members of the Commission were unambiguous about their diagnosis notwithstanding the fact that most of the appointments made had the concurrence of all concerned. This concurrence, they felt, was given by Chief Justices to prevent awkward situations from arising in the event of the appointment of persons not recommended by them or of the rejection by the executive of persons recommended by them.

13.11 The Law Commission considered this state of affairs disturbing and debated whether it was not advisable and practicable to prevent the state executive altogether from having a voice in the selection of High Court judges. After a full discussion of this subject, the Commission concluded that consultation with the state executive was necessary before appointments were made to the High Court but that the procedure of consultation should be so modified that while the executive should be enabled to comment its role should not remain dominating. Accordingly it recommended that

- (i) while it should be open to the state executive to express its own opinion on a name proposed by

the Chief Justice, it should not be open to it to propose a nominee of its own and forward it to the centre;

- (ii) the role of the state executive should be confined to making its remarks about the nominee proposed by the Chief Justice and if necessary asking the Chief Justice to make a fresh recommendation;
- (iii) Article 217 of the Constitution should be amended to provide that a judge of a High Court should be appointed only on the recommendation of the Chief Justice of that state and with the concurrence of the Chief Justice of India.

13.12 The Government of India considered these recommendations and rejected them. In rejecting the first two recommendations they relied on the facts that no nominee was considered without taking into account the views of the Chief Justice of the High Court concerned and that out of a total of 283 appointments made from January 26, 1950 to August 31, 1961, 266 were made on the unanimous recommendation of all authorities concerned, only one appointment going against the recommendations of the Chief Justice of India (it had the approval of all authorities in the state).

13.13 In placing reliance on these facts the elucidation made by the Commission (paragraph 13.10 above) was ignored. According to this elucidation Chief Justices agree to unsuitable appointments, knowing them to be unsuitable, to forestall awkward situations and could be expected to make more suitable proposals if the procedures were different. While ideally, in matters of such grave import, the occupant of as exalted an office as that of Chief Justice should be expected not to compromise his better judgment and consent to a proposal to which he has a conscientious objection, perhaps the elucidation is realistic in bringing out the situation as it exists in fact and the considerations that actually determine the course of events. It is to be noted that the first two recommendations of the Commission do not amount to by-passing the constitutionally elected executive. The President as the head of the executive will, even in the arrangement visualised

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by the Commission, make appointments on the advice of the constitutionally elected government at the centre. These two recommendations envisage a change only in the role of the state executive which is sought to be restricted to commenting on the Chief Justice's proposal instead of making one. Neither of these recommendations jeopardises the existing constitutional provisions.

13.14 It is suggested that these two recommendations be pressed again for acceptance. Their acceptance should have the following consequences:

- (i) political influence exerted at the state level in the appointment of judges will decline;
- (ii) less blame will attach to the political executive at the state level for unsatisfactory appointments;
- (iii) professional competence will be given greater regard.

13.15 It is indeed arguable that these recommendations do not go far enough and that the existing constitutional provision itself should be amended to dispense with the obligation to consult the Governor. Whether the state governments should have any influence at all with the High Courts is a question that could be asked. The spirit of the Constitution is clear on this subject. If its provisions, fashioned expressly to secure the complete independence of the High Courts, have, in actual experience, been found wanting, should they not be amended and the weakness eliminated? The Law Commission had felt that this part of the provision ought to be retained as the state executive met the budget of the High Courts and as their comments on the character and local position of the candidate should in any case be obtained before a judge was appointed. It can be contended that the fact that the budget of a High Court is debited to the state account is no reason why the state executive should constitutionally be given a say in these appointments. As for its comments on a candidate, these should be restricted to—

- (a) his local position;
- (b) his character and integrity; and
- (c) his affiliations.

The constitutional provision prescribing consultation with the Governor places no such restrictions. Once the need for these restrictions is conceded that for statutory consultation goes and the comments of the state government can as well be had by instructions issued through the Memorandum of Procedure. Such a measure will strengthen the independence of the judiciary and help restore its image in the public mind. The principle underlying this recommendation is that a state government should not have, and should not be interested in having, any constitutional right in influencing appointments to the High Court. Nepotism by the Chief Justice is still possible but should be less likely and less frequent as, being outside politics, he is less vulnerable to pressure. The area of nepotism is thus narrowed down to personal prejudices and predilections and these two, in the inevitable processing through a sieve, are unlikely to pass muster very often.

13.16 An additional advantage of thus defining the role of the state executive is that delays in filling vacancies will be curbed to the extent that they are caused by protracted correspondence or hold up at the state level due to differences of opinion between the Chief Justice and the Chief Minister.

13.17 The third recommendation of the Law Commission—that all appointments should have the concurrence of the Chief Justice of India—was arrived at ostensibly to prevent favouritism by Chief Justices of High Courts but has the effect of restricting the authority of the President. This recommendation was rejected by the Government of India as it departed from the spirit of the Constitution and fettered the ultimate discretion of government. There is considerable merit in the reasoning of the Government of India. Besides, the step recommended by the Law Commission while remedying some defects may well introduce others. Thus the compulsion of concurrence can lead to unseemly wrangles and hence to dilation, acrimony and deadlock. For this reason and also perhaps on grounds of intrinsic constitutional propriety we are not inclined to support the Law Commission on this point

WHOLE
COUNTRY
AS ONE
UNIT OF
SELECTION
—PREPA-
RATION OF
PANEL OF
NAMES

13.18 The recommendations made so far, if accepted, would help secure the independence of the judiciary but may not suffice to ensure its quality in every case. It is not only from inadequacies of procedure that unsatisfactory appointments result: in some states they can be ascribed to paucity of persons of standing and competence. In such an event the state Chief Justice may not have information of the talent available elsewhere in the country. The Law Commission therefore recommended that the entire country be treated as one single field of selection and that an *ad hoc* body presided over by the Chief Justice of India be created to draw up a panel of names of suitable persons both from the Bar and from the service in each state.

To begin with, and after considering also the recommendation made by the States Reorganisation Commission that one-third of the number of judges should be from outside the state, the Government decided to try the experiment of making “outside” appointments on a zonal basis. The various zonal councils agreed in principle to such appointments being made and an all-India panel of persons from the Bar and the judiciary was to be drawn up for this purpose. However, there was strong opposition from the Chief Justices to the preparation of such a panel and it was decided not to pursue the proposal for the time being.

13.19 While the systematic and regular formation of such a panel will undoubtedly make possible the efficient selection of high calibre personnel from a wide zone of selection, we appreciate the delicate considerations that have led to the general opposition of the Chief Justices to the idea. Besides, the moment for such a reform is not opportune and we would not, therefore, like to press this proposal. We would nevertheless suggest that, without necessarily preparing panels, the recommendation of the States Reorganisation Commission should be given effect to as far as possible. Some “outside” appointments are made even now but these are few and far between. A serious effort to increase their number will make its own contribution to efficiency, independence and national integration. Unlike the suggestion for the panel, this proposal does not affront any canons of delicacy and

discretion. And yet a couple of objections might be raised and need to be dealt with:

- (a) obviously, when appointing an "outsider", it will be necessary to consult the Chief Justice and the government of the state from which he hails. As the Chief Justice of the High Court in which the vacancy occurs will not have any personal knowledge of the suitability of the candidate, he will be unable to give his opinion although constitutionally required to do so. The objection is of a technical nature. The spirit behind the present procedure is that the opinion of the Chief Justice who knows the candidate's reputation and ability should be given due weight. We notice that "outside" appointments have been made in the past without any constitutional difficulties arising. The same could continue to happen in the future. Difficulties might arise if Chief Justices of High Courts to which "outsiders" are allocated object frequently to candidates so allocated. But the whole approach recommended here postulates an enlightened national policy on the problem to which Chief Justices can be expected to subscribe. Normally, therefore, a Chief Justice should not object to the allocation of a carefully selected man. There is in any case no virtue in making any Bench the monopoly of the local Bar irrespective of available merit there or not;
- (b) it may be thought that the authority and prestige of a High Court would be affected in case members of an outside Bar are appointed to it. This is an insubstantial objection, because a High Court must command respect for the quality of justice that it dispenses and not for its ability to promote members of its Bar to the Bench. Leaving this aside, the proposal in any case does not envisage that more than one-third of the number

of judges of a High Court will come from outside. This cannot seriously affect the prestige and authority of the High Courts and the Chief Justices. Besides, any fancied diminution in the position of the Chief Justice on account of this one-third component from outside will be offset by the fact that candidates from his state may be going to other High Courts through a selection procedure in which he is associated.

Needless to point out, an "outsider" is not meant to be drafted as an acting judge and is to be appointed as additional judge only when he is likely to be absorbed in a permanent vacancy during his tenure as additional judge.

RECOMMEN- DATION

13.20 We would therefore urge that the recommendation of the States Reorganisation Commission be implemented so that, as far as possible, one-third of the number of judges on a High Court are from outside. We think this recommendation is capable of being implemented despite the difficulties and resistances that may be encountered. It is particularly capable of implementation where service personnel are concerned.

TRANSFER- ABILITY OF JUDGES— ALL INDIA CADRE FOR JUDGES

13.21 The Law Commission in this context also examined the question of establishing an all-India cadre for judges of the High Courts with the incidence of free transfer from one High Court to another. Article 222 empowers the President to transfer judges from one High Court to another in consultation with the Chief Justice of India. In practice, this provision is sparingly used. Transferability and the formation of an all-India cadre of judges was urged by the Chief Justices on the following grounds:—

- (i) that such a cadre would have the advantages of extending the field of choice of High Court judges and of regulating the staffing of the higher judiciary on the same lines as that of the civil service;
- (ii) that a judiciary so recruited would be more independent having less local connections;

- (iii) that the difficulty experienced in constituting division benches in hearing cases as one or more of the judges recruited from the state had been engaged in the case at an early stage either as counsel or as party or happened to be related to one or more of the litigants would be avoided;
- (iv) that a unified cadre of High Court judges with free transfers all over the country would help to break down the barriers of regionalism which held sway in many parts of the country.

The Law Commission however considered transferability and consequently the formation of an all-India cadre of High Court Judges inadvisable largely because these would accentuate the problem of finding suitable men from the Bar for the Bench and partly because transferability might possibly affect the independence of the High Court judiciary. They felt that considerations of national integration would be equally well served by the preparation of an all-India panel and the formation of an all-India Judicial Service.

We consider that it is important to make "outside" appointments a reality, and that once that is done it is not necessary to insist on a regular system of transfers.

13.22 The procedure for the appointment of the Chief Justice of a High Court is the same as that for the appointment of an ordinary judge except that the proposal in this case emanates from the Chief Minister.

APPOINTMENT OF
CHIEF JUSTICES

13.23 The Law Commission observed that it had become almost a matter of routine for the senior-most judge to become the Chief Justice of the state. It felt that the senior-most puisne judge, even though competent as a judge, may not be suitable for appointment as Chief Justice, which functionary had also to be "a competent administrator, a shrewd judge of men and personalities and a person of sturdy independence". If the senior-most puisne judge, however competent professionally, was deficient in these qualities difficulties would arise in the event of his appointment as Chief Justice. The High Court would lack cohesion and team work and conflicts between

judges would arise. The Law Commission came across instances where these conditions had arisen by reason of the senior-most puisne judge having been made Chief Justice.

The Law Commission, therefore, felt that

- (a) the Constitution should provide for the concurrence of the Chief Justice of India in the appointment of the Chief Justice of the High Court; and that
- (b) without making an inflexible rule a person from outside the state should be considered for appointment if the senior-most puisne judge in the state was not considered fit for the post.

DECISION
OF THE
GOVERN-
MENT
OF INDIA

13.24 The proposal to amend the Constitution to provide for the concurrence of the Chief Justice of India in the appointment of the Chief Justice of the state was not accepted on the same grounds as held good for a similar proposal in the case of other judges of the High Court and on the additional ground that, in actual practice, there had been no instance in which a Chief Justice had been appointed without the concurrence of the Chief Justice of India. The other recommendation was stated to be in accordance with the existing practice and was accepted.

13.25 For the reasons already stated concurrence need not be made constitutionally obligatory. We observe that the Law Commission did not specifically discuss and opine on the Memorandum of Procedure in this case. We would suggest that the procedure for the appointment of Chief Justices should be changed to provide for the initiation of the case by the Chief Justice of India. Comments from the state government should be unnecessary here as the person must already have been commented upon before his appointment as a puisne judge. Only in the event of a direct appointment from the Bar should such comments be obtained. The Memorandum of Procedure should be amended accordingly.

There should, in addition, be a conscious effort to bring competent and suitable judges from outside as Chief Justices so that selection on sheer seniority within a particular High Court does not crystallise as a settled principle.

13.26 The Constitution lays down the qualifications that ^{QUALIFI-}
^{CATIONS} officers of the judicial service must possess for appointment to the High Court. The qualifications laid down for judicial officers under successive enactments may here be enumerated briefly.

Under the Indian High Courts Act 1861, the eligibility of service personnel for appointment as judges of the High Court was confined to—

- (a) members of the covenanted civil service who had put in 15 years' service including at least three years' service as zilla judge for appointments to one-third of the number of posts; and
- (b) civil servants who had served for ten years including three years as district judge and those who had held office of the Principal Sadar Ameen or judge of Small Cause Court for five years for holding, along with barristers and pleaders, another one-third of the number of posts.

The Government of India Act, 1915 altered the qualifications slightly and stipulated that eligibility would be confined to members of the Indian Civil Service of ten years' standing who had served as or exercised the powers of a district judge for three years and officers who had held judicial office not inferior to that of a subordinate judge or a judge of Small Cause Court for at least five years. The Government of India Act, 1935 repeated these provisions.

13.27 The Constitution has effected a change and the relevant Article 217(2)(a) reads as follows:

“(a) has for at least ten years held a judicial office in the territory of India;”

13.28 The Law Commission reported that unsuitable service personnel had been appointed to the High Court under this clause. They pointed out the confusion that had arisen over the interpretation of the expression “judicial office”. In the light of official interpretations officers of the

judicial service working in the secretariat (as Legal Remembrancer, Deputy Legal Remembrancer etc.) had been appointed as High Court judges without ever having been district judges and acquiring that necessary variety of experience that could be had only by actually handling difficult and complex cases of different kinds. They, therefore, recommended that sub-clause (a) of clause 2 of Article 217 of the Constitution should be replaced by the following:—

“(a) has for at least three years exercised judicial functions as a district judge”.

13.29 The Government of India have not yet taken a decision on this recommendation although it was made in 1958. We feel that the proposal of the Law Commission, although on the right lines, does not go far enough and that the period recommended by the Law Commission should be extended to five years.

13.30 We feel that it should not be difficult to secure national endorsement for the policy to which the measures proposed here give expression for they are required to ensure the efficiency and independence of the judiciary, its two perennially necessary attributes.

13.31 . In brief, our recommendations are that

- (1) Article 217 should be amended to dispense with the need to consult the Governor in the appointment of judges;**

(paragraph 13.15)

- (2) the Memorandum of Procedure should be so amended that**

- (a) while it should be open to the state executive to express its own opinion on a name proposed by the Chief Justice it should not be open to it to propose a nominee of its own and forward it to the centre;**

(paragraphs 13.13, 13.14)

(b) the role of the state government should be confined to commenting on the Chief Justice's proposal, the comments being restricted to

- (i) the local position of the candidate
- (ii) his character and integrity
- (iii) his affiliations.

The state government may on the basis of these comments, suggest to the Chief Justice to make another proposal but the suggestion should not be binding;

(paragraphs 13.13, 13.15)

(3) as far as practicable, one-third of the number of judges of a High Court should be from outside;

(paragraph 13.20)

(4) the case for the appointment of the Chief Justice ^{Appointment of Chief Justice} of a High Court should be initiated by the Chief Justice of India and the role of the state government should be restricted to commenting on the Chief Justice's proposal;

(paragraph 13.25)

(5) In the matter of appointment to the office of Chief Justice of a High Court, the seniority of the serving judges should be only one of the considerations and not an overriding one. If the senior-most judge is not considered suitable, the choice may fall on a suitable senior judge of another High Court;

(paragraphs 13.23, 13.24)

(6) a serving officer should have at least five years' ^{Qualifications (serving officer)} experience as a district judge before being considered for appointment to the office of a judge of a High Court. Article 217(2)(a) should be amended.

(paragraph 13.29)

CHAPTER XIV

PUBLIC SERVICE COMMISSIONS

14.1 The need for independence and competence in members of the Public Service Commissions is to be accepted as axiomatic and does not have to be stressed. It was realised by the makers of the Constitution and given forceful expression to in the debates of the Constituent Assembly. Safeguards were consequently provided with a view to ensuring the independent and efficient functioning of the Commissions. These safeguards have, however, proved inadequate, much more so than in the case of High Courts. In many states the Public Service Commissions have deteriorated both in competence and independence. They have consequently not proved to be the successful guardians of standards that they are meant to be and have too often succumbed to unhealthy influence, mostly from the state governments concerned. Usually surreptitious, the existence of such influences has on occasion been demonstrated in courts of law revealing not merely the amenability of the Commission concerned but a measure of incompetence as well.

14.2 Incompetence and absence of independence in the State Commissions were pointed out by the Law Commission also as long ago as 1958. The Commission observed that—

“Having regard to the important part played by the Public Service Commission in the selection of the Subordinate Judiciary, we took care to examine as far as possible the Chairmen and some of the members of the Public Service Commissions in the various States. We are constrained to state that the personnel of these Public Service Commissions in some of the States was not such as could inspire confidence, from the points of view of either efficiency or of impartiality. There appears to be little doubt that in some of the States appointments to these Commissions are made not on considerations of merit but on grounds of party and

political affiliations. The evidence given by members of the Public Service Commissions in some of the States does create the feeling that they do not deserve to be in the responsible posts they occupy."

Since then the impression has gained ground that, with a few exceptions, the working of these Commissions in the states has deteriorated.

14.3 The quality of personnel determines that of the administration, and to ensure uniform standards in the latter care and attention have to be uniformly bestowed on the former. For obtaining the right quality of personnel and maintaining their morale the first and most important step is to ensure uniform excellence in the functioning of those to whom this task is assigned. In view of their decisive impact on the vast and vital area of personnel administration and on the calibre and morale of the public services, their healthy functioning becomes a matter of national concern. Because they are meant to fulfil a national objective, a national policy regarding the Public Service Commissions is most desirable if they are to succeed in their task.

14.4 The germs of a national policy are to be found in the Constitution itself which mandatorily provides for such Commissions for all the states and which makes certain uniformly applicable provisions governing the terms and conditions on which the members of these Commissions serve. If these Commissions have not functioned with the degree of efficiency and impartiality expected of them it is because the basic idea underlying the constitutional provisions has not been articulated into a national policy and given the statutory teeth required to implement that policy. Thus there is no uniform policy regarding the qualifications and experience of the persons to be appointed to these Commissions. There are wide disparities in the salaries offered to them with startling disparities in calibre as a result. An enunciation of a national policy is overdue to bring about uniformity in these matters.

14.5 This enunciation must take account of the total problem. The basic principle for the formulation of such a

policy must be that as the Public Service Commissions have a crucial role in maintaining the efficiency and integrity of the public service it is a matter of national importance that they should be enabled to do so and that no inroads into their effectiveness and independence should be allowed. It would follow from this that

- (a) there should be nationally accepted standards in regard to the calibre and experience of the members of these Commissions;
- (b) there should be nationally accepted procedures for making appointments to make possible the enforcement of these standards;
- (c) there should be co-ordinating and reviewing arrangements at a central point.

QUALIFICATIONS

Officials

14.6 According to the present qualifications prescribed by Article 316(1) for officials appointed to Commissions any person who has held any office in government for a period of ten years is eligible for appointment as member. A strict construction would permit any government servant—even at the lowest rung of the hierarchy—who has had ten years' service to be appointed as member and in actual practice, as mentioned earlier, there have been instances of questionable appointments in this category. Besides providing, therefore, for a minimum length of service, it seems necessary also to prescribe other qualifications indicating the kind, level and quality of experience that should be required of persons filling such posts. We suggest the following minimum qualifications for an official member. He should be

“a person who has served in the Government of India or under the government of a state for at least 10 years and held the office of Secretary to Government or Head of Department under a state government or an office of equivalent rank under a state government or the Government of India or the principal office in an institute of higher learning.”

Non-Officials

14.7 The Constitution prescribes no qualifications for non-officials to be appointed to a Commission. This is a major lacuna to which can be ascribed several unsatisfactory

appointments. We consider that the lacuna should be filled by the laying down of suitable qualifications. The provision for the induction of non-officials into the Commissions is meant to introduce talent and fresh outlook from that section of the public that has itself undergone professional discipline or possesses management experience. Leaning on this as an underlying principle, we would recommend two things. The first is in the nature of a convention which we suggest that all state governments should earnestly try to maintain. This is that Commissions should be kept non-political in character and consequently political personalities should ordinarily not be considered for appointment to them. The second is in the nature of a formula of qualifications which should govern the eligibility of those to be appointed from amongst non-officials. We consider that the formula should be as below:—

- (1) a candidate for appointment from the non-official category
 - (a) should be a graduate in Arts or Science or should hold an equivalent degree; and
 - (b) should be or have been a *bona fide* practitioner in any of the following professions for a period of ten years:
 - (i) education
 - (ii) medicine
 - (iii) science, technology and engineering
 - (iv) law
 - (v) accountancy
 - (vi) administration, public or business;
- (2) at least one of the members of the Commission from either of the two categories (official and non-official) should as far as possible be or have been an educationist. The Commission will then have on it a person who has acquired experience in dealing with young men and women in colleges and universities.

14.8 As to the manner in which these qualifications should be made effective the ideal arrangement, and one

which we recommend, would be to make a suitable provision in the Constitution. One way of doing so would be to amend Article 316 to provide for prescription by the President of qualifications by regulations to be issued from time to time. This may require amending the Seventh Schedule to include as a Union or Concurrent subject the determination of qualifications for appointment to the Public Service Commissions. Should a constitutional amendment not be favoured, the concept of uniform qualifications could be accepted and the qualifications suggested above prescribed by the state governments.

14.9 Unlike the High Courts, the State Public Service Commissions figure in List II (State List) of the Seventh Schedule to the Constitution. Appointment to Commissions is governed by Article 316, the relevant portion of which reads as follows:—

“316(1) The Chairman and other members of a Public Service Commission shall be appointed, in the case of the Union Commission or a Joint Commission, by the President, and in the case of a State Commission, by the Governor of the State:

Provided that as nearly as may be one-half of the members of every Public Service Commission shall be persons who at the dates of their respective appointments have held office for at least ten years either under the Government of India or under the Government of a State, and in computing the said period of ten years any period before the commencement of this Constitution during which a person has held office under the Crown in India or under the Government of an Indian State shall be included.”

* * * *

14.10 It will be noticed that half the members of a Commission have to be government or ex-government servants. The rest may be government servants or from the public. We discovered during the course of our investigation that this free half, as it were, was filled largely by politicians.

Thus from the particulars collected in respect of 13 Commissions, we found that these seats were occupied by politicians in 12 states. In 6 of them, some of the politicians were defeated ministers or legislators. Even from among officials and ex-officials some of the selections have been questionable. Thus, for instance, officers with experience of a very low level of administration e.g. retired deputy collectors or officers who have taken to politics have been appointed. Many state governments have thus not-used the power of appointment well.

14.11 The power of appointment is of crucial importance as on its right use depends the calibre of the Commissions. This power has not always been used to achieve the constitutional objective of securing independence and efficiency in the functioning of the Commissions. Not often the tendency in some states is just the reverse. As long as this power remains totally with the state governments things are unlikely to improve, particularly at the present developing stage of democracy. Therefore while state governments should undoubtedly have an effective say the final appointing power should reside at a central point. Location of this power at one central point will ensure objectivity and uniformity in appointments. As Public Service Commissions are meant to function independently of the executive this transfer will not have the effect of splitting the state executive in any way or of violating the federal principle. Similar powers regarding the High Courts already vest in the centre and the same principle could with reason be extended to the Public Service Commissions.

14.12 We therefore have the following recommendations to make:

- (a) the members of a State Public Service Commission may be appointed by the President through the same procedure as is at present followed for judges of the High Court, the Chairman of the State Commission playing a role corresponding to that of the State Chief Justice and the Chairman of the Union Public Service Commission

playing one corresponding to that of the Chief Justice of India. It will be noticed that we have here recommended the procedure at present followed for the appointment of High Court judges rather than the new one suggested in the previous chapter. This is because the argument of insulating High Courts totally from the influence of the state governments is not completely valid when applied to the Public Service Commissions;

- (b) the Chairman of a State Commission should be appointed by the President in consultation with the Chairman of Union Public Service Commission and the state government. The case should be initiated by the state government. The Chairman of the Union Public Service Commission should have an opportunity of commenting on the proposal and making an alternative one before the appointment is made by the President;
- (c) as far as possible one-third of the members of a State Public Service Commission should consist of persons belonging to another state. Guided by the consideration that "the principal organs of the State should be so constituted as to inspire confidence" and to help arrest parochial trends the States Reorganisation Commission made a similar recommendation for High Court judges. We believe this consideration to be even more forcefully applicable to appointments to the Public Service Commissions. The induction of outside element will undoubtedly infuse a wider outlook and should therefore be welcomed. An argument preferred before us was that members belonging to other states would not have intimate knowledge of local conditions and might not therefore be able to preserve conventional parities and balances between different sects and groups. An argument of this nature makes the case for "outside" appointments stronger, if anything, as they

are designed to promote the merit principle and to prevent the supremacy of sectional considerations. Besides it is not difficult for an experienced, educated and intelligent person to understand and assimilate the social ethos of a region of what is after all the same country. Another advantage of this policy will be to make traffic easier between a State Commission and the Union Commission (or another State Commission). The need for such mobility may arise in some instances where a Commission requires to be strengthened, as pointed out later in paragraph 14.16(d).

If the recommendations at (a) and (b) are accepted, it will be necessary to amend the Constitution and to bring appointments to the State Commissions on to the central list of subjects.

14.13 We are aware that the changes recommended are rather drastic and may prove unpalatable. But we feel that having regard to the record of some state governments in this matter, the recommendation is justified. In as crucial a matter as the quality of recruitment to the public service it is important not to allow standards in any state to slip and the need for uniformity in standard of administration requires national safeguards evolved as a result of the experience of the weakest rather than the best states.

14.14 Then, a question arises whether the services of these members should become transferable from one Commission to another. Free transferability should certainly assist in breaking down regional barriers. It should also reduce accessibility and possibilities of the exertion of influence because of local connections. On the other hand, free transfers may result in a State Commission being manned largely by outsiders who despite their capacity to assimilate the basic elements of the local situation will not have an intimate knowledge of local matters and machinery which would be required of a majority of the members of the Commissions to furnish it as a whole with the correct perspective for its day to day functioning. It would not be desirable, therefore, to exceed the proportion of one-third in appointing members from outside. It may not be

TRANSFER
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necessary to resort to transfers to adhere to this proportion. Transferability may not be acceptable to many suitable persons who may be willing to accept appointment in their home states only and it may, therefore, inhibit consideration of their names and narrow the field of selection. Transferability would also carry with it the inherent possibility of the exertion of pressure and interference by the executive. On the whole, therefore, it would be desirable not to have any regular system of transfer.

**SALARIES
OF MEM-
BERS**

14.15 There are at present wide variations in the calibre and experience of persons appointed to Commissions in different states. A major cause of this is disparity in scales of pay. Some state governments pay their Chairmen of Commissions as much as Rs. 3,000. Some pay them less than Rs. 2,000. It seems to us that Commissions in the latter category cannot easily attract members of the right quality and experience. If Public Service Commissions have a key role to perform in maintaining nationwide standards in public administration, we consider it essential that there should be some degree of uniformity all over India in the salaries and pensions admissible to members. One possibility would be to build the wage-structure of Chairmen and members into the Constitution as in the case of High Court judges. Another would be to amend Article 318, with a consequential amendment in the Seventh Schedule, if necessary, to empower the President to issue regulations on the subject from time to time. What the salaries and pensions should be is something for the Government of India to work out after reviewing the existing scales and consulting the state governments.

**AGE OF RE-
TIREMENT**

14.16 We have considered whether the age of retirement of members of State Commissions should also be raised from 60 to 65 and brought on to a level with the age of retirement of members of the Union Public Service Commission. It may at first appear that the reasons operative in the case of judges of High Courts, namely the unwillingness of leading members of the Bar to accept appointments to the Bench at a younger age, are not operative in the case of Public Service Commissions, where suitable personnel especially from the services should be available. But on closer examination it will be

found that there are good grounds for considering a raise in the retirement age of members of the Commissions:—

- (a) the age of retirement of members of the Commissions was fixed at 60 when government servants retired at 55. Since then general health and life expectancy have improved, and the age of retirement of government servant has been raised to 58. It would be appropriate to consider a corresponding raise for members of the Commissions;
- (b) senior government servants attain ripeness and maturity between the ages, say, of 50 and 58. It would be wasteful deployment not to utilise them in top flight executive jobs. It is only after retirement that the best among them should be considered for appointment to Commissions. But with the retirement age of members fixed at 60, they would get two year spells only. Such short term appointments would not be desirable from the Commission's angle. What is worse, the best government servants may not wish to be considered because of this factor. If only to attract the most suitable men amongst retired government servants, and to retain them for long enough, a raising of the retirement age of members is inescapable;
- (c) a member of the Commission requires independent mindedness and judgment born of experience more than dynamism. He can continue to exercise both even after the age of 60;
- (d) to ensure uniformity in standards and especially to improve the working of State Commissions that are deficient in standards, it may be necessary now and then to appoint members of the Union Public Service Commission as Chairmen of the State Commissions. Such moves would, however, be inhibited by the existing disparity in the ages of retirement;
- (e) it has been mentioned that educationists should always be well represented on these Commissions.

In many universities educationists retire after the age of 60 and go up to 65 in some. Several persons in this field attain ripeness and prominence at a late stage and would be suitable and willing for appointments only in their late fifties or early sixties. In order to draft some of them into Commissions at this stage it is necessary to create conditions of parity for them as between a career in a Commission and a good career in the universities. Depriving the educational institutions of some of their best men at an earlier stage while they are actively engaged in creative work would be a course of doubtful merit. Also a good educationist may be unwilling to come to a Commission at an early age, as after a six year break he may find it difficult to go back to a teaching job at the age of 60, and may not find a suitable administrative job. Raising the retirement age of members would enable good material from among educationists to be tapped at the right stage, and retained long enough;

- (f) eminent persons from professions like medicine, law etc., will be difficult to secure at an early age.

On the whole, therefore, it would be advisable if the age of retirement of the members of State Commissions were raised to sixty-five. But this measure should apply only to those who are appointed under the new procedure suggested above. It could also be made applicable to those out of present members who fulfil the test of qualifications suggested above.

14.17 The Union Public Service Commission should assume a new and active role in relation to the State Commissions. Broadly speaking, it should be analogous to that recommended in this report for the central ministries handling state subjects in relation to the state departments in that the Union Commission should provide leadership and co-ordination in various ways. At present the Union Public Service

Commission performs little of this function for the understandable reason that it has not been specifically assigned to it. We feel that the Union Public Service Commission should so organise itself that it can take the initiative in collecting and disseminating information to the states, in giving them guidance especially in the matter of selection techniques, in undertaking experiments to test new selection techniques, in evolving evaluation techniques, in organising training, through seminars and otherwise, of the staff of the State Commissions in various aspects of personnel administration, in holding seminars for the members of the State Commissions, in conducting research and generally in providing the leadership expected of an apex body and transmitting the impulse to improve performance to all the members of the system.

14.18 To sum up:

SUMMARY OF CON- CLUSIONS

- (1) **the Chairman and members of a State Commission should be appointed by the President in consultation with the Chairman of the Union Public Service Commission and the Constitution should be amended for the purpose;**
(paragraph 14.12)
- (2) **the procedure for appointment should be the same as the present procedure of appointment for judges of the High Court, the Chairman of the State Commission playing a role corresponding to that of the State Chief Justice and the Chairman of the Union Public Service Commission playing one corresponding to that of the Chief Justice of India;**
(paragraph 14.12)
- (3) **the President should by regulation prescribe the qualifications for official and non-official members of the Commissions;**
(paragraph 14.8)
- (4) **an official member should be a person who has served in the Government of India or under a state government for at least 10 years and held the office of Secretary to Government or Head of**

Department under a state government or an office of equivalent rank under a state government or the Government of India or the principal office in an institute of higher learning;

(paragraph 14.6)

- (5) a member drawn from the non-official category**
 - (a) should be a graduate in Arts or Science or should hold an equivalent degree; and**
 - (b) should be or have been a *bona fide* practitioner in any of the following professions for a period of ten years:**
 - (i) education**
 - (ii) medicine**
 - (iii) science, technology and engineering**
 - (iv) law**
 - (v) accountancy**
 - (vi) administration, public or business;**

(paragraph 14.7)
- (6) the subject “determination of standards/qualifications in the appointment of members of State Public Service Commission” should be made a Union or Concurrent subject by amending the Seventh Schedule to the Constitution. In the alternative a consensus should be developed;**

(paragraph 14.8)
- (7) as far as possible one-third of the members of a State Public Service Commission should consist of persons belonging to another state;**

(paragraph 14.12 (c))
- (8) the age of retirement of members of State Commissions should be raised to 65 and the Constitution amended;**

(paragraph 14.16)
- (9) the Union Public Service Commission should keep in constant touch with the states and their Commissions and give guidance to the latter.**

(paragraph 14.17)

CHAPTER XV

THE CONDUCT OF ELECTIONS

15.1 Among the most important items of “environmental” administration is the machinery for holding elections. <sup>INTRO-
DUCTORY</sup> The superintendence and control of elections is entrusted by the Constitution to an Election Commission appointed by the President. But the Election Commission depends entirely on state executives for the conduct of elections and does not have any machinery of its own. What organisation the Commission should have figured prominently in the debates when the Constitution was being hammered out and the need was urged, among others, by Dr. Ambedkar himself of giving it an agency of its own to ensure impartiality in the conduct of elections. It was and is administratively impossible to furnish the Commission with a complete agency to run the general elections and Article 324(6) of the Constitution therefore rightly permits the use of the administrative machinery of the state governments for this purpose. The Commission invariably draws upon this machinery and, as is generally felt, it does by and large perform its functions impartially. The experience of the last general elections in which the ruling party was defeated in several states would strengthen this impression. But cases of impropriety or of wrongful exercise of discretion do nevertheless occur and are not always uncovered by election petitions. The characteristic understatements in the reports of the Election Commission seem to support this surmise. So does the odd coincidence that large scale transfers of officials in the districts appear to become necessary in certain states just before the elections. Attempts to use the official machinery at the district level to serve the ends of the ruling party at the time of elections may increase with the decline of standards in state administrations and the ever-present possibility of unscrupulous actions by political parties in power in the face of election dangers.

15.2 The reliability of election administration should be a matter of national concern, because without this there can

be no health in the system of governance and public administration. It is the public vote that is the ultimate check and corrective for bad governance, and its full and unfettered expression must therefore be ensured as a question of national policy. We are fortunate to have had fair elections so far, on the whole, but the stray items of evidence on the other side mentioned above could be precursors of worse things to come. It is accordingly necessary to make a review now in order to strengthen that which is good and eliminate that which is bad.

NATIONAL
POLICY
FOR ELEC-
TION ADMI-
NISTRATION

15.3 The broad elements of a national policy for election administration could be spelt out as below.

- (1) Fair elections are basic to the success of parliamentary democracy in the country, and it is a matter of national importance that the election machinery throughout the country should be totally independent and reliable.
- (2) This casts a responsibility on the centre, which should
 - continue to appoint men of the highest calibre as Election Commissioners
 - assist the Election Commission in locating and obtaining officers of integrity and competence to serve in his organisation
 - take the initiative with the states in promoting national reviews of election procedures and practices from time to time, based on reports of the Election Commission or otherwise.
- (3) It also casts a responsibility on the states which should
 - assist the Election Commission in every way in the conduct of elections
 - eschew the use of the state administrative machinery in furtherance of party ends, and in particular avoid making large scale transfers in the districts on the eve of elections

- constantly strive to maintain fairness and impartiality in the conduct of elections
- take part in periodic national reviews of election procedures and practices.

15.4 We have tried to make a review of procedures and practices in this field in the hope that what we have to say may become the starting point of a national review aimed at tightening up the machinery and eliminating possibilities of mischief.

REVIEW OF
EXISTING
PROCEDURES

In the main, error, *malafide* or otherwise, appears to occur at five stages:—

- (1) in the preparation of electoral rolls;
- (2) in the selection of polling booths;
- (3) in the scrutiny of nomination papers;
- (4) during polling, at the polling booth, where there are instances of impersonation; and
- (5) at the time of counting of votes when the Returning Officer may influence the result by improper counting.

Lapses at the fourth stage are generally the result of official helplessness rather than official error or connivance and can be rectified only through an election petition. Lapses at the other four stages, particularly the last, are more dramatic and, as they are not as widely dispersed as the third, are more easily controllable. The approach could be to—

- (i) provide some machinery to the Election Commission through which it can secure better and more impartial supervision, and
- (ii) introduce modifications of procedure that will help prevent such lapses and rectify matters before damage is irrevocably done.

It is important to devise protective measures for keeping the election machinery in good shape, because the only other means of redress—an election petition—proves long drawn out and here, more literally than anywhere else, delay in justice becomes a denial of it.

Strengthening
the super-
visory
machinery

15.5. Efficient though the administration of elections generally has been in every other way, a recurring defect has been inadequate supervision by an agency independent of the state executive. Supervision is, in the main, exercised by officers of the state executive and cases have occurred in which Returning Officers and their supervisory authorities have invited criticism, sometimes justly, for being partial. What is required therefore is to provide the Election Commission with a supervisory machinery of its own. This is possible by an extensive use of Article 324(4) of the Constitution which provides for the appointment of Regional Commissioners, in consultation with the Election Commission, to assist it in the performance of the functions conferred upon it. Four posts of Regional Commissioners were created for the first general elections but only two Regional Commissioners were appointed, one in Bombay and the other in Patna. No Regional Commissioner was appointed during the second, third and fourth general elections and the Commission was dependent for supervision upon the Chief Electoral Officers, who were officers of the state governments.

15.6 To make up for the present deficiency in supervision we would recommend that whole time Regional Commissioners should be appointed for a temporary period of, say, six months for groups of neighbouring states. The Regional Commissioner and the Chief Electoral Officer will then be able to inspect much of the polling and counting. Where necessary, the Regional Commissioners will intervene on behalf of the Election Commission and could, for this purpose, be delegated the requisite powers by suitable amendments of the Representation of the People Act. The Regional Commissioner is not intended to be a regular intermediary between the Election Commission and the Chief Electoral Officer. The latter will normally correspond direct with the Election Commission except in matters where the Election Commission specifically delegates its functions to the Regional Commissioner or desires that a matter be routed through him. It is not necessary to spell out here all the delegations required for these will be determined by the Commission. Some of these, however, have been mentioned later while examining specific aspects of the election arrangements.

15.7 The essence of this arrangement requires that the number of such Commissioners should not be too small and that each Regional Commissioner should have a manageable charge. Probably one state per Commissioner will not give him an adequate load of work except, may be, in the case of a large state like Uttar Pradesh. But an average of two per Commissioner should give him enough work and will be a manageable proposition as far as distances and supervision are concerned.

15.8 Regional Commissioners should be persons of high status. They should be drawn upon from outside the state executive and there should be no objection to appointing retired officers for this purpose. The persons appointed should either have been Judges of a High Court or officers of wide administrative experience in senior capacities, equivalent to or higher than that of the Chief Electoral Officer of the state. They should not have had any political affiliation. The voice of the Chief Election Commissioner should be decisive in their selection and Article 324(4) should be amended to provide for their appointment by the President "on the recommendation of" rather than "in consultation with" the Chief Election Commissioner. A distinction in this context has to be made between this office and that of, say, a judge of the High Court for this office exists only for temporary supervision, to assist the Election Commission.

15.9 The law requires the Returning Officer for each constituency to provide, with the previous approval of the Election Commission, a sufficient number of polling stations for the constituency and to publish the approved list before the elections are held. Instructions are issued by the Commission from time to time laying down general principles for the guidance of the Returning Officers when selecting polling stations. The list of polling stations selected by the Returning Officer is scrutinised by the Chief Electoral Officer and forwarded to the Election Commission for notification. As the Election Commission has no means of verifying whether the selection is fair, the recommendations emanating from the district and state levels are normally accepted. Although as a rule no *malafides* are alleged or suspected, L/S166ARC-16(a)

sometimes the selection may seem unfair to certain candidates. Effective scrutiny of the recommendations of Returning Officers and Chief Electoral Officers is therefore desirable. A suitable way of doing so would be to entrust the task to the Regional Commissioners suggested earlier.

Scrutiny of
nomination
papers

15.10 The scrutiny of nomination papers is a crucial stage in an election, for the rejection by the Returning Officers of a nomination paper debars the candidate from contesting and, if the rejection is faulty, redress is available only much later through an election petition whereafter the entire process of election in that constituency has to be gone through all over again. The repercussions of faulty admission are less serious than those of faulty rejection, for faulty admission, even if pronounced so by an election tribunal, does not necessarily lead to a fresh election. Section 36 of the Representation of the People Act, 1951 gives the power to reject any nomination paper to the Returning Officer. The grounds on which the nomination can be rejected are also laid down. Sub-section (4) of Section 36 of the Act provides that the Returning Officer should not reject any nomination paper on the ground of any defect which is not of a substantial character, but leaves the discretion to accept or reject the nomination paper entirely with him. He is only required to record in writing a brief statement of his reasons for rejection, if he decides to reject. A large number of nomination papers were rejected in the first general election particularly as the law and procedure at that time were rather complex and difficult. These have since been simplified progressively and the task of the Returning Officer as well as of the candidate made much easier. Nevertheless, many cases of improper rejection still occur. At times, the rejection, although not wholly groundless, is not strictly necessary, nor therefore proper, for a liberal view can and should be taken by a Returning Officer if there are only technical omissions.

Incorrect rejections may occasionally be the result of ulterior motives although these can never be proved. At other times they may well be the result of *bona fide* error. In either case too much discretion and responsibility devolve at present on the Returning Officer whose decision to reject a nomination paper can have far reaching consequences. It is

felt, therefore, that there should be independent scrutiny at a higher level in cases in which the Returning Officer proposes to reject the nomination papers.

15.11 We recommend that while the Returning Officer should after the scrutiny of nomination papers be empowered to accept them, as at present, the final decision for rejection should not lie with him. If, in his opinion, any nomination paper is so defective that it should be rejected he should record his findings and a decision in this behalf should be taken by the Regional Commissioner. Section 36 of the 1951 Act should be appropriately amended.

15.12 In 1955 a proposal was considered by Government to introduce a provision in the Representation of the People Act for appeals to a judge of the High Court against the decisions of Returning Officers accepting or rejecting nomination papers. It was also provided that the decision of the judge on appeal, and subject only to such decision, the decision of the Returning Officer accepting or rejecting the nomination of a candidate would be final and conclusive and that the decision could not be called in question in any court or tribunal including an election tribunal. When the Bill was introduced in Parliament, the Select Committee made the procedure even more elaborate. Amendments were suggested for the appointment of judicial officers of ten years standing, known as Scrutiny Officers, who would scrutinise the nomination papers. A more detailed scrutiny extending to two weeks was proposed and even after such a detailed scrutiny an appeal to a judge of High Court was suggested. It was also provided that in certain cases where the judge considered that there had not been a full inquiry into the matter, he would have the power to issue a certificate that the matter in appeal might be taken to an election tribunal, after the completion of the election. Several members of the Select Committee expressed grave doubts about the workability of the scheme and recorded minutes of dissent. The Bill was subsequently withdrawn by Government on the advice of the Chief Election Commissioner who felt that such an elaborate procedure would make the simultaneous holding of elections all over the country impossible.

We agree that the procedure evolved in that proposal was unworkable. The proposal made by us, however, is simple and, in our view, practicable, for it envisages a reference to a higher authority only in cases in which a nomination paper is proposed to be rejected. The procedure even on this reference will be summary and it is not the intention to oust the jurisdiction of the election tribunal.

Strengthening the counting procedure

15.13 Mischief sometimes occurs at the time of counting votes when the Returning Officer may influence the result by improper counting. Counting has been singled out as improprieties here most adversely affect public confidence and as reform is more easily possible here than in other aspects of elections, *e.g.* in the matter of preventing impersonation of voters.

15.14 The procedure for the counting of votes is set out in the Conduct of Election Rules, 1961. The substance of it is that all the valid votes polled in a constituency are counted under the supervision and direction of the Returning Officer. Each contesting candidate, his election agent and his counting agents have a right to be present at the time of counting. After the completion of counting the Returning Officer is required to record the total number of votes polled by each candidate and announce the same. Thereafter a candidate or, in his absence, his election agent can apply to the Returning Officer for a recount of all or any of the ballot papers already counted stating the grounds on which he makes such a demand. When an application for recount is received it is left to the discretion of the Returning Officer to decide whether the application should be allowed in whole or in part and to reject it if it appears to him to be frivolous or unreasonable. His rejection is final. If he decides to allow an application he orders a recount of the ballot papers and, if necessary, amends the result announced by him earlier. Once a recount has been made no application for further rechecking of the votes is entertained. The Returning Officer then declares the result of the election.

15.15 The actions of a Returning Officer are challengeable only in an election petition which is often a long drawn

out and expensive affair. It is because instant decisions are required at the time of counting that this measure of authority has been given to the Returning Officer. What needs to be seen is whether the existing arrangements can be so fortified as to diminish substantially the chances of improper action on the part of the Returning Officer without in any material way rendering the decision making process dilatory or difficult, and, in the event of improper action in counting, to make available speedy redress. An amendment has already been carried out in the Representation of the People Act, 1951 providing for intervention by the Election Commission, upon the report of a Returning Officer, in the event of unlawful or accidental destruction or tampering with ballot papers at the time of counting. This will look after cases in which the Returning Officer makes a report to the Election Commission. It will not, however, apply to cases in which the Returning Officers' own actions are improper. Such exigencies are sought to be taken care of by another amendment. Section 66 of the Act at present directs the Returning Officer to "forthwith declare" the result of the election as soon as the counting of votes is completed. Interventionist powers have been given to the Election Commission by an amendment according to which "the Returning Officers shall, in the absence of any directions by the Election Commission to the contrary, forthwith declare the result". While this does give power to the Commission to withhold the declaration of a result it does not spell out the consequential procedure for completing the election.

15.16 It is difficult to devise any perfect measures in this field of counting, but a few suggestions are given below which, individually or in conjunction, could help strengthen the existing arrangements considerably.

(1) The amendment to Section 66 of the Act, referred to above should be amplified to provide for

- (a) the appointment, if the Commission thinks fit, of a new Returning Officer, without consulting the state government (at present a Returning Officer is appointed in consultation with the state government);

- (b) a fresh count altogether, without prejudice to any other remedy that may be available under the Act.

This amplification seems necessary as Article 324(1) of the Constitution vesting powers to superintend, control and direct the election may not be considered as inherently vesting in the Commission the powers sought to be given to it here.

(2) This power to withhold the declaration of result should also be exercisable by the Regional Commissioners.

(3) The Canadian practice of a fresh count of votes, in the event of a challenge, by an independent authority before the announcement of a candidate's return to the legislature is made, should be substantially introduced. The provisions of the Canadian law regarding fresh count are given in Appendix 31. The procedure in a nutshell is given in the following paragraph.

The Canadian
Practice of
Fresh Count

15.17 The Returning Officer, after completing the count, declares and certifies in writing the name of the candidate obtaining the largest number of votes and gives a certificate giving the number of votes cast for each candidate to all candidates or their representatives. He does not, however, forthwith declare the candidate elected. If, within four days after the date on which the Returning Officer has declared the result, it is brought to the notice of the regional judge that an impropriety has been committed, the judge conducts a recount. When the recount is completed the judge gives his own certificate regarding the votes polled by the different candidates and informs the Chief Electoral Officer as well as the Returning Officer about the result. The Returning Officer thereupon declares to be elected the candidate who has obtained the largest number of votes according to the certificate given by the judge. One result of such a procedure will be that the declaration of election of the candidate will take place after a specified interval, say six days, if the count is not challenged and if it is challenged after the result of the fresh count is available. This delay in the return is not of any consequence and should not materially affect the time

schedule for the Presidential election. The advantages of this procedure should more than compensate for the minor delay involved.

A necessary corollary of this arrangement is that the return of the candidate to the legislature is never announced immediately and is inevitably kept pending whether the count is challenged or not. If the Returning Officer does not receive notice from the regional judge to attend for purposes of a recount, he returns the candidate on the sixth day after completing the count. Where the count is challenged and a recount is held by the judge, the return is announced after the recount is over.

Under the Canadian law, any omission, neglect or refusal of the judge to comply with the provisions is appealable to a higher court.

15.18 Such a procedure, if introduced in its essentials, will certainly help to prevent the improper return of candidates to the legislatures. A possible difficulty might be that defeated candidates would be tempted to invoke this provision, with reason or without, on a wide scale. To check this, it could be provided that recount would be permissible only in cases in which the margin of difference in the votes polled by the winning and the appealing candidates does not exceed a certain limit, say 2%, of the valid votes polled. The percentage could be decided by the Election Commission, based on the results of the 1967 elections. A suitable security deposit, say Rs. 2,000, would be an additional safeguard preventing candidates from making frivolous requests for a fresh count.

15.19 The power to conduct the fresh count should be delegated here not to a judge but to an officer appointed by the Election Commission. It will not be necessary to provide for an appeal from the decision of the officer conducting the fresh count. If this recommendation is accepted, it will not be necessary to follow the course suggested at (1) (b) in paragraph 15.16.

15.20 A distinction will always have to be made between this fresh count and the recount that is at present permissible at the discretion of the Returning Officer. The existing provision of recount should remain.

SUMMARY
OF CON-
CLUSIONS

15.21 In brief, our recommendations are—

- (1) **a Regional Commissioner should be appointed for a temporary period of six months or so for a group of neighbouring states;**

(paragraph 15.6)

- (2) **the status of the Regional Commissioner should not be lower than that of the Chief Electoral Officer;**

(paragraph 15.8)

- (3) **he should be drawn upon from outside the state executive and there should be no objection to appointing retired officers. Article 324(4) of the Constitution should be amended to provide for his appointment by the President “on the recommendation of” rather than “in consultation with” the Chief Election Commissioner;**

(paragraph 15.8)

- (4) **the Regional Commissioners should be delegated such powers under the Representation of the People Act to intervene in the conduct of elections, as the Election Commission considers fit. The Act should be amended to provide for this;**

(paragraph 15.6)

- (5) **the following special functions should be performed by the Regional Commissioner—**

- (a) **scrutiny of list of polling stations before they are notified by the Election Commission;**

(paragraph 15.9)

- (b) **making a final decision regarding the rejection of a nomination paper by a Returning Officer;**

(paragraph 15.11)

- (c) **withholding the declaration of the result of election when such a step becomes necessary;**

(paragraph 15.16)

- (6) to strengthen the counting procedure and to avoid mischief at the time of counting of votes, Section 66 of the Representation of the People Act may be amplified to provide for the appointment, if the Commission so thinks fit, of a new Returning Officer without consulting the state government;**

(paragraph 15.16)

- (7) the Canadian practice of a fresh count of votes, in the event of a challenge, by an independent authority before the announcement of a candidate's return to the Legislature, should be substantially introduced.**

(paragraphs 15.16, 15.17)

CHAPTER XVI

INTER-STATE WATER DISPUTES

NEED FOR
EXAMINA-
TION

16.1 In the settlement of inter-state water disputes the centre has been assigned a significant role by the Constitution and by the legislation enacted under it. The need for an examination of this role arises from the fact that a number of major disputes have remained unsettled.

16.2 Disputes broadly relate to the use, control and distribution of waters of inter-state rivers for purposes of irrigation and the generation of power. There is no codified law prescribing rights and the notion of "equity" has come to prevail restraining the upper states from drawing such quantities of water as would injure the lower states. The general principle of equitable apportionment is simple to propound but complex in application and each contending state can give to this principle an interpretation that suits it. The magnitude of the problem will be apparent from a glance at the list of unsettled disputes and the problem is likely to become more acute in the future for two reasons :

- (i) the great increase in irrigation involving large scale exploitation of river waters; and
- (ii) the disappearance of the phenomenon of uni-party control all over India which has so far provided an extra-constitutional means for settling disputes.

Jealousies and wrangles over rights over waters will increasingly become a source of friction and acrimony between states. It is important therefore that adequate legal and administrative arrangements should exist for the settlement of such disputes. Administrative measures calling for some form of joint management (examples being Damodar Valley Corporation, Bhakra Control Board, measures under the River Boards Act) can conceivably help, although have

not always helped, solve such problems. But these measures depend on co-operation and while they are to be welcomed, wherever possible, they cannot be substituted for any adequate legal procedure available to the contending states to settle their disputes. A distinction must therefore be made between provisions for settling disputes and between provisions for joint management even though the latter may incidentally resolve conflicts.

16.3 A brief historical outline of the legal arrangements so far made may here be given. With the introduction of the federal system of government in India, provisions were made in the Government of India Act, 1935 for resolving inter-state water disputes. When the Bill was being drawn up the question was examined in considerable detail whether property rights over water in the provinces should be recognised or not and whether disputes should be determined by the Federal Court or by a special tribunal. The correspondence that ensued between the Secretary of State, the Governor-General and the provinces is illuminating and can be seen at Appendix 32. The conclusion arrived at was that the jurisdiction of the Federal Court should be barred and that disputes should be settled by the Governor-General after obtaining the advice of a special tribunal. Provisions were framed accordingly and inserted in the Government of India Act, 1935. In brief, this Act provided for—

BRIEF
HISTORY
OF CONSTITUTIONAL
PROVISION

- (i) complaint by a province to the Governor-General with respect to the use, control or distribution of water ;
- (ii) compulsory reference by the Governor-General of that complaint to a Commission (unless he was of the opinion that the issues involved were not of sufficient significance) ;
- (iii) compulsory decision by the Governor-General (or in certain circumstances by His Majesty in Council) on the report of this Commission; and
- (iv) freedom to the Governor-General to vary his decision on the application of an affected province

16.4 In the draft Constitution originally prepared these provisions of the Government of India Act, 1935 were incorporated *mutatis mutandis* but were, at a later stage, dropped as it was felt that—

- (i) the original proposals were too hide-bound and stereotyped to allow elastic action; and
- (ii) a large number of different kinds of disputes could arise and it would be necessary to appoint one permanent body to deal with them.

Accordingly the present Article 262 of the Constitution was adopted by the Constituent Assembly which reads as follows:—

- “262(1) Parliament may by law provide for the adjudication of any dispute or complaint with respect to the use, distribution or control of the waters of, or in any inter-state river or river valley.
- (2) Notwithstanding anything in this Constitution, Parliament may by law provide that neither the Supreme Court nor any other court shall exercise jurisdiction in respect of any such dispute or complaint as is referred to in clause (1)”.

16.5 Under this Article, Parliament has enacted the Inter-State Water Disputes Act, 1956, which, briefly, provides for:

- a request by a state government to the Central Government for the reference of a dispute to a tribunal for arbitration;
- reference by the Central Government to such a tribunal if in its opinion the dispute cannot be settled by negotiations;
- the constitution of a tribunal consisting of one person from among judges of the Supreme Court or a High Court nominated in this behalf by the Chief Justice of India;
- the competence of the tribunal to appoint assessors to advise it;
- the finality of the award by the tribunal;
- the exclusion of the jurisdiction of the courts once a dispute is referred to the tribunal.

16.6 The notable departures in the existing law from the Government of India Act, 1935 are:

- (i) the Government of India has to refer a dispute to a tribunal only if, in its opinion, it cannot be settled by negotiations. Thus discretion is left with the Government of India whether to appoint a tribunal or not. The 1935 Act did not leave such discretion to the Governor-General;
- (ii) the award of the tribunal is binding. Under the earlier law the findings of the Commission were recommendatory, the final order being passed by Government; and
- (iii) the jurisdiction of the courts was wholly excluded under the 1935 Act. It is only partially excluded under the existing law, that is, it is excluded only when a dispute is referred to a tribunal. Until then it is not excluded.

16.7 The Government of India need appoint a tribunal only when it is satisfied that a dispute cannot be settled by negotiation. This discretion has always been exercised negatively in that the centre has never appointed such a tribunal and has relied for the settlement of disputes wholly on the process of negotiation. The reasons for the centre's total reliance on negotiation to the exclusion altogether of arbitration are:

- (i) a judicial arbitrator may not be sensitive to the socio-economic situation involving the welfare and the intense reactions of vast numbers of people—a defect which becomes serious when no appeal is allowed against the award of the arbitrator;
- (ii) issues concerning the shareability of water often require to be determined by a number of complex factors not necessarily legal, and a tribunal is not the correct forum for considering them; and
- (iii) arbitration proceedings can produce stay orders, which could interfere with the execution of projects.

The policy of negotiation has met with limited success. While agreement has been arrived at, or seems to be on the point of being reached, in the disputes listed at Appendix 33, there has been little success in the large number of disputes listed in Appendix 34, many of which are very old.

16.8 Admittedly, settlement by negotiation is the best possible settlement. It has the consent of the contending parties, leaves no bitterness behind and can be expected to be implemented faithfully. Where, however, negotiations do not bear any fruit, the issue cannot be left undecided. The process of negotiation has resulted in the settlement of some disputes. In the total context, however, this technique has not been wholly successful as a large number of disputes, despite protracted wrangles, have remained unsettled. Where a dispute continues unresolved for long it is best to refer it for impartial adjudication rather than allow it to linger on and generate bitterness and ill-feeling. The fear of possible interim injunctions and consequent delays in the execution of projects cannot be a decisive argument. It may be assumed that the adjudicating body will exercise its power to issue interim injunctions intelligently and with restraint. Where justice obviously demands such a stay order there is no reason why it should be shirked and an offending state allowed to injure the rights of others.

POSITION
IN OTHER
FEDERAL
COUNTRIES

16.9 It would in this context be interesting to have a brief glance at the arrangements in other federal countries.

The United States of America

The adjudication of disputes is entrusted to the Supreme Court, and contending states have in the past gone there with their problems. A noteworthy feature here, however, is the navigation law of the U.S.A. which gives power to the Congress to make laws for the use, distribution and control of waters for the purposes of navigation. Using these powers the Congress enacts legislation under cover of which the use and control of waters for irrigation is also effected. The competence of the Congress to pass such laws has been confirmed by the Supreme Court. The tendency in the U.S.A., therefore, appears to be to have a legislative-cum-administrative solution to such problems in preference to a judicial solution wherever possible.

Canada

A distinction is drawn here between the right to legislate for works, which resides in the Federal Government, and the ownership of river beds which vests in the provincial governments. The ownership of water has not been conclusively defined and rights in it appear to vary according to the purpose for which it is utilized. When inter-provincial water disputes arise they are normally litigated before the Canadian Exchequer Court.

Australia

As in the U.S.A. the power to settle disputes vests in the Federal Court. However, disputes have rarely occurred for the simple reason that there are very few inter-state rivers.

West Germany

Inland water-ways and water conservation are federal subjects. Although the jurisdiction of the Supreme Court is not barred, there appears to be little scope, in fact, of serious inter-state water disputes.

16.10 There are broadly three possible alternatives to the present arrangements in India : POSSIBLE
ALTERNATIVES

- (i) a provision for the settlement of disputes by the Supreme Court in the same manner as the provision for the settlement of other disputes under Article 131 ;
- (ii) the transfer of rights in rivers (whether intra-state or inter-state or, in any case, the latter) to the centre and making irrigation and hydro-electric power central subjects; and
- (iii) adherence broadly to the existing constitutional position but tightening the existing legal provisions and administrative arrangements.

The three alternatives are discussed below.

16.11 It is a conceivable proposition that water disputes between the states should simply be settled by the Supreme Court under Article 131 which provides for the settlement of other kinds of inter-state disputes. It can be argued in favour of this approach that it would ensure that there is a

decision (for once referred to the Supreme Court the matter must be adjudicated upon), that the decision is impartial, and that the political and therefore possibly an interested government at the centre is relieved of all onus. It can also be argued that similar provisions exist in the Constitutions of the U.S.A., Australia and West Germany and there is no reason why India should make a departure. It must be presumed that the Constitution-makers were aware of these arguments. They nevertheless decided to have a separate provision. In the debates in the Constitution Assembly it was never urged even once that the power to settle water disputes should be given to the Supreme Court. What are the grounds justifying a departure from the normal procedure in the case of water disputes? The answer is to be found in the correspondence at Appendix 32. Briefly the grounds in favour of a procedure other than judicial pronouncement may be stated as follows:—

- (a) there is no settled or codified law by interpreting which judicial pronouncement can determine disputes;
- (b) prior to 1935 river waters were apportioned not according to legal right but according to expediency, that is, according to the most profitable utilisation of waters. Even states with no riparian rights were given waters, *e.g.*, Bikaner. This was done under *ad hoc* orders or through agreements secured under the mantle of executive authority. The concept of rights and the adjudication of these by courts will disturb these arrangements, create serious practical complications and open up vistas of litigation;
- (c) the merger of the erstwhile princely states, and the reorganisation of states in 1956 and thereafter resulted in certain decisions regarding the sharing of waters. These will lose their sanctity and may be reopened on the basis of legal rights; and
- (d) decisions regarding the sharing and distribution of waters even in the future should be based not

so much on rights as on expediency, that is, on the best economic use of waters. Considerations of optimum utilisation may require the use of waters by a state without any rights or in excess of the rights that a legal pronouncement may vest in it. These issues should be decided by considerations of national economy and not of individual judicial rights. It may be difficult for the Supreme Court to give pronouncements based on such an elastic principle.

For these reasons determination by the Supreme Court is considered undesirable.

16.12 The second alternative envisages a central take-over of all waters for irrigation. This would certainly eliminate all inter-state disputes. It could, however, result in a crop of centre-state disputes. Possibilities of these would seem particularly relevant in matters like land acquisition, collection of levies and taxes and utilisation of waters. The Canadian context is not altogether relevant because of different land laws and the precise difficulties that can be encountered in India may not therefore be experienced in Canada.

16.13 The only practical alternative, therefore, is the third one which contemplates the tightening of existing arrangements. Present provisions suffer from two kinds of lacunae, legal and administrative. These are discussed in the succeeding paragraphs.

16.14 There is at present no time limit for negotiations. The Central Government can keep making efforts at negotiation indefinitely without a contending state obtaining redress. This in fact is what frequently happens, and yet if a state does ask for a reference to an arbitral tribunal its request is not accepted. If this legal loophole were to be plugged the main source of indecision would be removed. As mentioned earlier, the original draft of the Constitution reproduced the provisions of the 1935 Act providing for compulsory reference to a Commission. The Constitution-makers adopted a different provision, but it was not their idea to eschew reference to a Commission or a tribunal. Indeed,

LEGAL
LACUNAE

Dr. Ambedkar had thought of a permanent body for the settlement of such disputes. Again when the Inter-State Water Disputes Act, 1956 was enacted the original Bill envisaged an option to the Central Government to constitute a water disputes tribunal. It said that "on a request received in this behalf from any state government, the Central Government *may*constitute a water disputes tribunal". On reference of the Bill to the Joint Select Committee of Parliament the word "may" was replaced by the word "shall" and the section redrafted, the relevant portion reading as follows:—

"4. (1) When any request under section 3 is received from any State Government in respect of any water dispute and the water dispute cannot be settled by negotiations, the Central Government *shall*, by notification in the Official Gazette, constitute a Water Disputes Tribunal for the adjudication of the water dispute"

By changing "may" to "shall" Parliament clearly did not wish to leave the Central Government with any option except to refer such disputes to a tribunal. To allow for negotiations in the earlier stages it introduced the clause "and the water disputes cannot be settled by negotiations". It is the flexibility provided by this clause that furnishes room for exploitation and the indefinite postponement of the constitution of a tribunal and thus defeats the very purpose of the Act. Clearly scope for negotiations must be allowed. Equally clearly a state cannot indefinitely be refused the right of redress on the plea that negotiations (yielding no result) are afoot. The solution appears to lie in prescribing a time limit to negotiations and making reference to an arbitral body compulsory thereafter.

TIME LIMIT
FOR
MEDIATION

16.15 Thus the best procedure where mutual negotiations have not borne fruit (they should always be attempted by the contending sides) and a state makes an application for arbitration would seem to be to provide for mediation by the centre or any person or authority nominated by it so that a final attempt at a settlement is made with the help of a third party, to prescribe a time limit, say three years, in the Act for such mediatory efforts (the period to be reckoned

from the date of application) and to refer the matter to an arbitral tribunal upon the expiry of this period if mediation also proves unsuccessful. Further, in view of the arguments given in paragraph 16.10, the Supreme Court's jurisdiction should be wholly barred. We recommend that the Act should be amended accordingly.

16.16 Issues on the determination of which depends the fate of large numbers of people should preferably be determined not by one man but by a group. The main advantage of having a tribunal of one is that there is no dissenting judgement which could lead to bitterness and controversy. Considering the stakes involved, however, it may be advisable to have a three-man tribunal. This would also enable representation on the tribunal of persons having practical knowledge of the subject.

16.17 We have considered how such a tribunal should be composed. A suggestion is that it should be headed by a judge to be selected by the Chief Justice of India (as provided for in the existing Act) and that the other two members should be appointed by the Government of India from among persons having special knowledge and experience in the administration and law of irrigation. There could be an objection that the Government of India might itself be politically motivated in the appointment of the other two members and a tribunal so constituted may not thus command the same confidence as one composed solely of a judge selected by the Chief Justice of India. A solution could possibly be that the other two arbiters should also be selected by an impartial body, say the chairman of the tribunal himself, or by the nominees of the state governments, the chairman nominating them in the event of a difference of opinion. Still another alternative that could be considered is that the contending states may nominate one person each to such a tribunal. If the number turns out to be even, one person could also be nominated by the Government of India. The possibility here of some states combining to the detriment of another cannot be ruled out. Taking everything into account we consider that there should be a three-man tribunal, the chairman being a judge of a High Court or the

Supreme Court, or a former judge of the Supreme Court (as at present), to be nominated by the Chief Justice of India and the other two members being judges or experts appointed by the Government of India. The Act would need amendment for this purpose. By convention, the Government of India should always keep ready a panel of names out of which the chairman of the tribunal may select the two members for the tribunal. This method of selection would inspire confidence.

FACT-FIND-
ING
COMMI-
SSION

16.18 While the ordinary procedure of evidence being laid before the tribunal by the parties concerned would be there, it may become necessary for the tribunal to have studies conducted on its own. Some provision is therefore called for to enable the tribunal to set up a fact-finding commission for this purpose. At present the tribunal is empowered to appoint two or more assessors to advise it in the proceedings before it. These assessors may not be able to undertake the task of conducting studies themselves. We would, therefore, recommend that the Act should be amended to empower tribunals to set up fact-finding commissions.

LEGISLA-
TION
UNDER
ENTRY 56
OF LIST I

16.19 Another approach, within the existing constitutional framework, is to pass, in the event of the failure of negotiations within a specified period, a central law for constructing works on an inter-state river, for the use, control and distribution of its waters and for the management of the river valley. Such a law is permissible under Entry 56 of List I of the Seventh Schedule to the Constitution which reads as follows:

“56: Regulation and development of inter-State rivers and river valleys to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest”.

Such an approach would enable seizure of the problem by the highest forum of the country, namely, Parliament, and is based on the hope that construction work as well as the development of the river valley (both central responsibilities

in such an exigency) would be carried on speedily and unhampered. This arrangement would include provision for the financing and sale of water as well as of electricity. The law could, if necessary, also provide for boards to take operational decisions. Some of the difficulties mentioned in paragraph 16.12 would be encountered in this arrangement also. These may pertain to the acquisition of land, the collection of revenues, the resettlement of displaced persons, labour problems to name a few. If water is sought to be sold to a state at the source the possibility of a state refusing to buy it does, in theory, exist. On the whole this alternative does not appear to be practicable and should certainly not be adopted as a measure supplanting the measures recommended above.

16.20 At present an obstacle to the settlement of water disputes—whether by negotiations or otherwise—is the absence of reliable data. This has been commented upon notably by the Gulhati Commission in its report on the Krishna-Godavari waters. It is for consideration, therefore, whether the central government should itself be engaged on the collection of these data. ADMINIS-
TRATIVE
LACUNAE

16.21 Correct and dependable technical data inspiring all-round confidence are not only helpful in bringing about mutual agreements between the contending states but are required by an arbitral tribunal for arriving at conclusions. Besides, they are of great value in planning river projects. The charter of the Central Water and Power Commission prescribes the collection and publication of such data as one of the duties of the Commission. However, the Commission did not discharge these functions until recently when, on the recommendation of the Krishna-Godavari Commission, 76 “key gauging stations” were set up in June 1963. Thereafter, 7 key stations were also provided in the Chenab basin. The Ministry of Irrigation and Power has projected 159 key stations on the 21 remaining river systems at an estimated cost of Rs. 3.33 crores with an annual recurring expenditure of Rs. 30 lakhs per annum. “Key stations”, we are informed, are those set up at the confluence of a tributary and the river to check the quality of water, its discharge and the silt charge.

The states are often reluctant to establish such stations and where they do the data collected by them are not only liable to be disputed by the contestants but are often collected for a different purpose (for regulation and maintenance) and are hence not always identical with the data required for resolving disputes or for the long range development of the basin. Collecting data obviously costs money but the burden on the exchequer is light compared to the benefits it can secure by assisting both planners and arbitral bodies. In our view the centre should be charged with the responsibility of collecting these data for those inter-state rivers over which disputes exist or are likely to arise. Whether these will include all the 21 river systems mentioned above is something for the Central Government itself to work out.

POWER DISPUTES

16.22 Disputes regarding the sharing of hydro-electric power arise in the same way as those regarding the sharing of water, although the factors governing their resolution may be different. Article 262 and the Inter-State Water Disputes Act, 1956 speak of "the use..... of waters" and do not mention the purpose for which the waters are to be used. It would appear, therefore, that the existing law applies not only to irrigation but also to hydro-electric power. If this interpretation is correct the arrangement proposed in this paper would automatically be applicable to hydro-electric power. If, however, it is not (and this point Government may examine) and power is not covered by the enactment, arrangements similar to those outlined in this chapter should be brought into being for settling power disputes also. A separate Act will, in that case, have to be passed and this is possible as power is a concurrent subject.

SUMMARY OF CON- CLUSIONS

16.23 To sum up :

- (1) the Inter-State Water Disputes Act, 1956 should be amended to
 - (a) provide for compulsory arbitration by a tribunal in the event of failure of negotiations by—
 - (i) providing a time limit of three years for mediation by the centre from the date of receipt of an application from a state

for the reference of a dispute to an arbitral tribunal; and

- (ii) compulsory reference of the dispute to such a tribunal upon the expiry of this time limit;

(paragraph 16.15)

- (b) oust the jurisdiction of the courts altogether;
- (paragraph 16.15)

- (c) provide for a three-member, instead of a single member tribunal, the chairman being selected by the Chief Justice of India from among judges of a High Court or judges or ex-judges of the Supreme Court, and the other two members being appointed by Government. By convention, the chairman should select the two members from a panel prepared by Government; and

(paragraphs 16.16, 16.17)

- (d) empower the tribunal to set up a fact-finding commission;

(paragraph 16.18)

- (2) it is not advisable as a matter of general policy to utilise Entry 56 in List I of the Seventh Schedule to the Constitution to pass central acts for an inter-state river regarding which negotiations do not yield any result;

(paragraph 16.19)

- (3) the Government of India should be charged squarely with the responsibility for collecting data for inter-state rivers, where disputes are likely to arise, and should set up data-collecting stations for this purpose;

(paragraphs 16.20, 16.21)

- (4) hydro-electric power should be considered as falling within the scope of Article 262 and the Inter-

State Water Disputes Act. If it does not, similar legal arrangements should be made for it, utilizing central legislative jurisdiction under the Concurrent List.

(paragraph 16.22)

CHAPTER XVII

THE ALL-INDIA SERVICES

17.1 The Indian Civil Service was the first all-India service. It was followed by the Indian Police. Gradually, and through a process that was unimpeded owing to the unitary nature of the control exercised by the centre at that time the concept of having services common to the centre and the provinces was extended to other fields like engineering, agriculture, forestry, health and education. With the progressive introduction of a federal set-up after 1919 all such services catering to the transferred subjects were wound up, the only exceptions being the Indian Civil Service and the Indian Police. These two had to be retained partly because they were the indispensable instruments of British rule and had, therefore, to be controlled by a central authority, partly because some of their activities extended beyond the transferred subjects and partly because they represented a personnel system in which crucial posts in the administration, central and provincial, could be manned by a body of officers of high calibre who underwent a uniform system of training and were informed by common traditions. The latter two considerations were applicable more emphatically to the Indian Civil Service.

17.2 With independence, and the coming into force of the new Constitution, these two services were retained in the form of the Indian Administrative Service and the Indian Police Service. Besides specifically retaining these two services the Constitution provided also for the establishment, by parliamentary legislation on a resolution of the Council of States, of all-India services in other spheres.

17.3 In a federal set-up to have an all-India service that serves the needs of the states but is controlled ultimately by the Union is an unusual feature. The feature becomes all the more unusual because of the specific constitutional sanction for the Indian Administrative Service and the Indian Police Service. The provision cuts across the true federal

principle and, unless one believes it to have been made in a fit of absent-mindedness, it must have been inserted by the makers of the Constitution for considerations strong enough to override the classical federal concept.

OBJEC-
TIVES OF
ALL-INDIA
SERVICES

17.4 The considerations that weighed then with the authors of these cadres deserve to be recapitulated to see how valid they are today and are briefly stated below :

- (a) all-India recruitment makes possible a minimum and uniform standard of administration throughout the country. It enables the induction of talent. In a developing country like ours, in which the government necessarily has to assume a heavy burden on itself, the services should have the best available talent in the country and the states are not able to provide manpower of the requisite strength and calibre. To strengthen their own administrative and technical capacity, the need for which is pressing, recourse to all-India recruitment can be of great benefit;
- (b) the all-India composition of the services with personnel drawn from all the states emphasises the unity of India and helps national integration. Every state gets a leavening of senior officers from outside whose vision and outlook transcend local horizons;
- (c) such a service enables systematic deputations from the states to the centre, which broadens the officers' vision, brings to the centre an experience close to actual realities, and is of benefit both to the centre and the states;
- (d) just action and independent advice can more easily be expected of the officers of an all-India service than from those locally recruited and controlled. The joint control of these officers by the states and the Union Government and the location of the ultimate authority over them in the latter provides a measure of remote control which by its very nature is more objective, and

which is meant to enable the officers to fulfill their responsibilities without succumbing to stresses and strains of local influence.

17.5 When constituting the Indian Administrative Service, Sardar Patel was emphatic on the last point. **NEED FOR ALL-INDIA SERVICES - SARDAR PATEL'S REASONS AND FORESIGHT** An all-India service scheme required the consent of the provinces as well as their moral commitment to make it succeed. A conference of the Premiers of all the provinces was, therefore, called by the Home Minister in which this scheme was put forward and its acceptance urged. There was opposition to it from some of the Premiers, mainly because of the central control that was a necessary part of the scheme and partly also for purely parochial reasons. The proceedings of the conference make illuminating reading and striking in them is Sardar Patel's insistence on the need for a service that could withstand undesirable local influences. His entire address to the conference (extracts from which, along with an extract from the minutes of the conference, are at Appendix 35) foresaw with unerring accuracy the interaction of forces that, in a nascent democracy, would tend to deflect the civil servant away from administrative rectitude, the pressures that would prey on him, and the increasing exposure to corrupt influences that would seek insidiously to undermine the health of administration. He saw with equal clarity the need for a strong and countervailing system in which such tendencies could be resisted, both to secure a just and efficient administration and to foster an all-India outlook in it.

17.6 The Indian scene has changed in many ways since then, but in this respect the change that has occurred over the years serves only to confirm all that Sardar Patel said with prophetic insight many years ago. It should be needless to affirm the continued validity of all the objectives underlying the all-India services and yet, in a country in which the constituent parts are possessed with a pre-emptive desire to assert their separateness, such an affirmation is sorely needed. The value of a system considered necessary for the administrative unity of the country despite the ubiquity of Congress Party rule and found indispensable for securing fair

play and competence in administration, despite the acute awareness of their need in the most potent political figures at a time when their power was untrammelled and their writ ran through the length and breadth of the land, can, in the less favourable conditions of today, be ignored only on pain of perilous consequences. Continuity alone demands a system which can maintain links in administrative behaviour throughout the country while political changes visit different states and the centre.

NEW ALL-
INDIA
SERVICES

17.7 To the extent that they too could help attain these objectives in their spheres the formation of new all-India services, wherever practicable, is to be welcomed. It is important however that the policies fashioned for them are such as can secure the fulfilment of the ends for which these services are created. We say so advisedly for our scrutiny of the policies followed for the Indian Administrative Service has revealed deficiencies that tend to defeat its purpose. Later in this chapter we have discussed these deficiencies and suggested remedies and, although policies for the Indian Administrative Service do not have to be strictly duplicated in other services, the discussion could also be treated as a case study to illustrate the kind of pitfalls that the management of such a service has to avoid.

THE
INDIAN
ADMINIS-
TRATIVE
SERVICE

17.8 The Indian Administrative Service is the all-India service par excellence for it is this that has to cope with all the complex interplay of factors that have brought to light the need for such a system. The objectives recited in paragraph 17.4 are applicable in their completeness to this service. To these objectives could today perhaps be added another—that of the exploitation of the service for meeting specialised managerial needs in a growing techno-economic society. There is possibly a conflict between this last-named purpose and the system of an all-India administrative cadre meeting various kinds of generalist requirements. But the conflict is by no means incapable of resolution and, in a situation in which the need for an all-India administrative cadre to combat growing centrifugal tendencies is primary and paramount, the only practicable course is to so order the development of the cadre that it harmonises with the needs of a modern society. Policies

of recruitment, training and deployment may therefore have to be fashioned to work out a gradual and continuous evolution of the character of the service so that it is able to adapt itself to changed requirements and yet remain itself, the stress on its different attributes changing according to the ethos of the era.

17.9 If all the pious objectives described here have to be fulfilled certain pre-conditions have to be satisfied as without them the most enlightened policies will fail to produce results. These pre-conditions, intangible and yet all-important, pertain to the helpfulness of the attitudes of the different actors in the scene. First and most important of all, the states must accept the service (as indeed other all-India services) as their own, and not treat it as an imposition to be accepted reluctantly and blunted where it can be. A service is an instrument that, like the surgeon's knife, must retain its sharpness if it is to be effective, and the instrument is not to be disedged or condemned for a wrong cut, or for the discomfort caused in a right one. Minor day-to-day irritations can be occasioned by mistakes or the wrong-headed obstreperousness of some members of the service, who must then be subjected to correctional measures, or by right-minded adherence to principles and *bona-fide* resistance to projects that undercut these principles for the sake of temporary political expediency, a resistance that, far from being magnified into a major complaint against the service, should be honestly recognised in a broader perspective as a purpose of its existence.

Secondly, the Central Government must keep a vigilant eye on the health and vigour of the service for which it is, in the ultimate analysis, responsible. For too long in the past did it adopt a policy of an acquiescent spectator. Although of late it has shown regard to its obligations, it must in the display of this concern become more firm in its stance, more dynamic in its motions and more comprehensive in its embrace.

Thirdly, the officers of the service must perpetually strive to act in a manner befitting the trust and responsibility reposed in them. The transitional stage through which our society is passing renders this task difficult but it will be facilitated if

they were assiduously to cultivate an *esprit de corps* among themselves and make earnest efforts, at the same time, to win the confidence of all those whom they have to work with and for—the people, the other services which should be able to find in them the example of leadership, and the political executive that forms the government. This demands, among other traits in social demeanour, a deliberate eschewal of whatever vestiges of exclusiveness and snobbery that remain in their heritage from the past, for besides being a hindrance to efficient performance, these have no place in a democratic society. All this they have to do without sacrificing either professional competence or any of the principles from which their sustenance is legitimately derived. This is a rather big bill, but the very size of the task should inspire challenge rather than dismay. It is certainly possible of fulfilment given the right attitudes.

And, finally, the Union as well as the state governments must themselves step in and discourage resentful attitudes in other services, both state and central. There is room in administration for all the different kinds of services, and each should bend its entire energy in the performance of its allotted task rather than fritter away so much of it in bickering and recrimination. The actors on the administrative stage should view themselves as players in a concert combining in harmony to produce a symphonic effect rather than as jousting in an arena each seeking to cause the discomfiture or destruction of the other.

17.10 Given these attitudes an enquiry into the policies ENQUIRY INTO POLICIES that can help in the fulfilment of the objectives enunciated earlier should prove useful. Basically these have been sought to be achieved through an elaborate mechanism the main features of which are that the cadres are common to the centre and the states, fixed after assessing the needs of both, that recruitment to them is done centrally to catch young and promising material all over the country, that the recruits are dispersed and allocated to the states permanently, there being a built-in provision enabling the centre to borrow officers, and that major disciplinary control is exercised by the President, who is also the appointing authority. This mechanism, through

the details of rules and regulations as well as through the policy of which they are an expression, plays a decisive part in securing these objectives.

17.11 To what extent the policies followed and the mechanism fashioned have helped to serve the basic concept of the service and the purposes for which it was formed is the subject of discussion in the paragraphs following. This discussion has the advantage of taking account of the changes, that have taken place in the scope of administration at the centre and the states and consequently in the duties expected of the cadres, the changes in the educational and economic base resulting in a flight of a large proportion of the best material to other walks of life, and the ways in which the political system of the country has developed, affecting the environment in which these cadres operate.

17.12 It is not our intention to undertake a comprehensive review of all aspect of the management of the Indian Administrative Service. Nor is every aspect of importance to centre-state relationships. Our attempt here has been to abstract the major issues of relevance in our context and to focus attention on them. These may be identified as

A—the quality of the officer

B—problems of deployment, career development and central deputation

C—training

D—morale

E—national integration.

17.13 The successful working of the IAS scheme depends, in the ultimate analysis, upon the calibre of its officers. This problem has two aspects, induction and maintenance. The first consists of ensuring high calibre at the point of recruitment. The second relates to the fulfilment of the promise and is touched upon in the paragraphs dealing with deployment and training. The first must be considered as the corner stone of such a service and deserves a full discussion

Original
mechanism
for securing
quality at
the point
of entry

17.14 It would be worthwhile to note how, in the original IAS scheme, it was intended to maintain quality.

The first method was by structuring the cadre in such a way that 75% of the senior posts including the central deputation quota, went to direct recruits and the remaining 25% to the promotees from the state services. The underlying idea was that the combined competitive examination, limited to candidates in the age group 21—24, should throw up 75% of the senior officers of the cadre. This policy was to pay dividends because the annual examination would offer the best products from the universities and these recruits could be shaped, through a process of intensive training, into first class administrators.

The second way in which quality was planned to be maintained was by a recruitment policy that controlled numbers and selected only the select for this service. Till 1954 the number of annual recruits to the IAS was kept below 50. Since then, with the advent of planning, the intake has increased, rather dramatically since 1958.

The third way of attracting quality was by ensuring an attractive environment of work, the attractions in the main being, possibly in the order stated here, high prestige, challenging work and good pay and other conditions of service.

Later dis-
tortions

17.15 Over a period of years, however, this mechanism has undergone severe distortions attributable to

- (a) too heavy a rate of recruitment;
- (b) imbalances in the structure and composition of the service, diluting the original concept; and
- (c) deterioration in the environment of work.

These distortions, we fear, have affected the quality of the recruitment rather sharply.

Over-large
regular
recruitment

17.16 To take the first among these, the number of regular recruits to the IAS has reached enormous proportions, the annual recruitment having increased from 33 in 1947 to 138 in 1965 and being targeted now at 160. There has been some debate whether any appreciable decline in the quality of the regular recruit has occurred on this account. The Ministry of Home Affairs, in their evidence before the Estimates Committee, maintained at one place that quality had

not declined but admitted in another that it had. This is an issue of such crucial importance that a definitive opinion ought to be formed.

17.17 A systematic and comparative assessment, based on performance, of candidates selected over the course of the past 19 years has not been attempted. Such an analysis would in any case exclude from its purview candidates appointed during the last six years or so, when the problem has really been aggravated as these recruits have yet to work in positions of responsibility. In the absence of such an analysis, conclusions regarding quality have to be based on other yardstick and tested by the opinion of knowledgeable persons.

17.18 Having regard to the current method of selection of regular recruits, *i.e.* through an elaborate written competitive examination, any yardstick must assume that, on the whole, there will be some correlation between the calibre of a candidate and his academic attainment in the university. Admittedly, performance in a university examination is not by itself a sufficient criterion. For one, standards vary from university to university. For another, many able students may fail to distinguish themselves because of the inadequacies of the examination system. Some may have qualities which an examination cannot test. Written examination and the interview conducted by the Union Public Service Commission are intended to provide the necessary correctives. Common-sense would nevertheless suggest that high calibre is more likely to be expected in students with a distinguished academic record than in others and that quality in the service will consequently depend to a large extent on the proportion of candidates with academic distinction offering themselves for the combined competitive examination.

17.19 If this criterion is accepted, the analysis at Appendix 36 will be found illuminating. It shows that despite a greater turnover of graduates from the universities (in pure Arts and Science) the total number appearing in the combined examination has declined. Again, although the number of first class graduates produced has increased, both absolutely and proportionately, the number of first class graduates appearing has declined, both absolutely and proportionately

(the decline in the latter case being from 29% to 8%). There has thus been a tremendous growth in the number of first class graduates not willing to take the competitive examination. If, to this, we add the increase in the diversion of talent that takes place to professional institutions after the secondary school stage, the comparative paucity of first class personnel competing for the IAS becomes even more marked. There has, at the same time, been a rapid increase in the number of appointments made.

17.20 The Second Pay Commission (1957—59) also went into the question of the fall in the quality of candidates offering themselves for government service. It did note the proportionate decline in the number of first class graduates appearing but felt that as long as three candidates with first class offered themselves for each vacancy (the vacancies being calculated on the total for the combined services, not just the IAS) there should be no cause for alarm. The fall in quality since then has been such that even this somewhat modest criterion has not been adhered to. The number of first class graduates appearing in the combined competitive examinations has come down from 3.8 for each vacancy in 1959 to 1.25 for each vacancy in 1964.

17.21 It is not merely the fact of decline that causes concern but its extent, illustrated more dramatically by a comparison of the figures for 1959, when for every vacancy in the IAS proper 11 first class graduates applied (as against an average of 14 in the period 1950—55) and for 1964, when this number came down to 3.

Of relevance here is the oral evidence of the Chairman of the UPSC before the Second Pay Commission, in the course of which he stated—

“Our opinion on the experience of the combined results of the written examination and personality tests is that about 80 to 90 top persons every year are suitable for IAS and IPS and about 200 or so would be suitable for central service; I would say that of these, about 40 to 50 candidates are really of good quality and stand out.”

And quality, as shown above, has fallen since then although recruitment has gone up.

17.22 This decline in quality is also testified to by the evidence given before the Administrative Reforms Commission. The gist of this evidence is that although the best recruited to the IAS are as good as ever, the average has declined perceptibly owing to the extent of the recruitment.

17.23 At this point a basic question may be asked: is first class material required for the IAS? The answer will necessarily be a matter of judgment. Historically, this has provided the basic reason for the constitution of the civil service. This concept has been challenged and there is a view that the IAS officer need not possess high calibre. It is enough if he is "adequate" or "suitable"—the phrase used by the Chairman of the UPSC. This view takes shelter in the phenomenon of rapidly expanding personnel needs stemming from increasing development and administrative activity. More managerial work has to be done. More men are required to do it. It may not be possible to get first class men to do it. Nor will all middle level managerial jobs require first class men. As the men are required, they must be recruited and the best means of recruitment remains the IAS even if, in the process, the standards of the IAS fall.

17.24 That there is substance in this argument must be conceded—up to a point. The great increase in the volume of governmental activity must call for an expansion of the cadres of higher management. The Second and the Third Plans inevitably subjected the cadres to this strain. As the strain could not be anticipated, expansion could not be made in time and phased. To restore the balance an abnormal degree of recruitment has to be resorted to. Such expansion must result in a dilution of quality. "How much?" is the relevant question. If the admixture of the merely "good" or "satisfactory" with the "very good" is judicious and not weighted against the latter, the role of higher management can still be expected to be discharged with a fair measure of

competence. If the numbers of the "very good" predominate it is they who set the tone which the others try to emulate. The general standard does not fall appreciably as traditions and challenges stimulate energetic responses from all. The role of the higher management is fulfilled. If high quality personnel within a recognised group meant to form an administrative elite begin to get heavily outnumbered by the mediocre, the general tone must deteriorate considerably. Here it is not the able who act as setters of pace. It is the mediocre who act as a drag. It is questionable whether higher management should ever, irrespective of its numerical needs, allow itself to come to such a pass. It cannot then play its appointed role. Quality is one of the conditions of its existence. By its large scale sacrifice, higher management loses the right to be itself.

17.25 This precisely is the situation which seems increasingly to engulf the IAS. Its cadres have expanded from 803 in 1948 to 1672 in 1957 and 2402 in 1964. It has been demonstrated how sharp the fall in standards has been. The measure of safety (itself adopted to cope with rising demand and therefore possibly already representing a lowered standard) namely, three first class contestants for each vacancy in the combined services has long since been submerged by the flood of recruits admitted. The figure 90, once the maximum limit of annual recruitment acceptable to an unenthusiastic UPSC, has risen to 160. There is no sign of abatement and yet abate it must if the service is to be enabled to discharge its role properly.

17.26 How is the rising demand for personnel to be reconciled with the necessity of reduced recruitment? An extreme measure is to leave gaps unfilled if candidates of the required calibre are not available. This uncompromising approach is not possible here as genuine demands have to be met. The only alternative then is to curtail the demand.

17.27 This is not as absurd as it sounds. The problem can be seen as having two aspects—the personnel aspect and the broader aspect of administrative improvement.

If work is simplified and reduced, personnel needs are reduced. If a high calibre man is drafted, he must be assigned work requiring that calibre. Techniques of administrative improvement have been fashioned to attain the first objective and, *inter alia*, to secure economical management by thus curtailing the need for skilled personnel whose supply in developing situations always tends to run short of demand. Although this aspect of the problem does need to be underscored as it can have a vital effect on administrative health and efficiency, it is not of direct concern to us and it is the second that is of relevance here. It requires to be emphasized that the demand for personnel should, at this level, be carefully, even cautiously, related to the nature of work.

17.28 Where IAS personnel are asked for, the principle needs to be established, constantly reaffirmed and observed in practice, that they should be asked for only for posts which have a really important managerial and co-ordinative content with just a very few posts added for giving the requisite training. The specification of these posts becomes a matter of judgment, but this judgment must not be shirked. The tendency to create posts indiscriminately varies from state to state but a rigorous examination of all demands at a central point is necessary. For their inclusion in the cadres the rules do provide for central approval but this has often been given in routine, without searching scrutiny or scrupulous regard for this principle.

17.29 Studies carried out by the Department of Administrative Reforms show that growth has been excessive and has been caused by

Causes of
Excessive
Growth

- (a) the absence, at times, of a proper evaluation, quantitative and qualitative, before creating posts at a level that are customarily manned by IAS officers. Thus posts are created with inadequate workload. Or they are created at an unnecessarily high level, when the kind of work involved could well be done by personnel of a lower category. To give an illustration, it

would appear that in some states posts have been created at the Deputy Secretary level—some by upgrading posts of Under Secretary—without the quantitative and qualitative justification required. Not everywhere is scrutiny sufficiently strict;

- (b) the inclusion in the cadre of specialised posts which, because of their managerial and co-ordinative content and because of the absence of suitable technical personnel, come to be manned by IAS officers but which, in the long run, should be manned by technical officers. In this category come well-defined specialities like posts of Director of Agriculture, Director of Fisheries etc. to which suitable technical men, as soon as they are available, should be inducted;
- (c) the inclusion of foreign service posts and posts of a semi-specialised character which do not necessarily have to be manned by IAS officers, and for which there should be a flexible manning policy i.e. the posts should not be reserved for IAS officers but IAS officers along with others should be considered for manning such posts. Thus for posts like the Director, Town and Country Planning, or for posts in government-owned companies and public enterprises, there should be an open staffing policy. In view of personnel shortages in the IAS and of the increasing degree of specialisation required in some of these jobs it should be worthwhile adopting a flexible recruitment policy which drafts the person considered suitable from a wide field of selection for such posts;
- (d) pressures exerted by those awaiting promotion so that with the multiplication of senior posts increased opportunities of promotion may become available.

17.30 The remedy would appear to lie in

Remedies
against
Excessive
Growth

- (1) excluding from the cadre the type of posts mentioned in (a), abolishing them where necessary, and where not, manning them by other categories of personnel;
- (2) excluding from the cadre the type of posts mentioned in categories (b) and (c) and manning them either by IAS officers or by technical personnel according to suitability.

17.31 This approach conceptually differentiates between an essential cadre consisting of posts that necessarily have to be manned by IAS officers, and a group of posts whose demands on IAS officers are 'flexible' and are to be met by the deputation reserve of the latter. Once adopted, it will relieve the pressure on IAS cadres to a considerable extent. The essential cadre will be fairly uniform all over the country and will have posts—this is not an exhaustive list—like the Chief Secretary, Home Secretary, Commissioners of Divisions, Collectors, Members of Board of Revenue, Secretaries, Deputy Secretaries, (not all of these need be in the IAS) and certain heads of departments. The main question here will be to scrutinize the additions or deletions required carefully. The "flexible cadre" will really be nothing except a group of ex-cadre posts some of which may require IAS officers at a particular juncture. When, after exclusion from the formal cadre, these specialized posts have to be manned by IAS officers, the latter will be deputed to hold them and there will have to be an adequate deputation reserve which can be increased depending on the requirements of the state. This reserve need not be uniform for all the states and future expansions will occur mostly in this, although some could occur in the basic cadre also.

17.32 Phased and timely recruitment in anticipation of growth, and well in advance of it, is essential so that trained bodies are available when the need for them arises. This is done at present by means of what are called "triennial reviews" in which decisions regarding the posts to be added

Personnel
Planning

and the recruitment to be done are taken for a projective period of three years. Planning for recruitment suffers from the handicap, however, that long term projections of requirements are not easy to make with accuracy. As an IAS officer normally takes 4—5 years to mature before he can hold a senior post, forecasting ought to be done 5 to 10 years in advance as is the practice in some progressive commercial houses. This is possible for them as their economic plans are known to them more or less accurately for a period of 5 years and broadly for a period of 10 years at any given point of time. As plans can undergo changes these requirements are reviewed annually and the annual review takes into account the projected need for a period of 10 years following. Such an exercise, with this degree of reliability, may not yet be possible for government in the current context of our economic planning.

17.33 Nevertheless a start in this direction is urgently called for and the Chief Secretary of a state should be squarely entrusted with the responsibility of making forecasts in consultation with the Planning Secretary and the various departments. Personnel planning at the managerial level should be an inevitable concomitant of economic planning so that events do not overtake the administration by surprise. This must take into account both projected needs and other aspects of personnel planning e.g. opportunities for and bottlenecks in promotion and the correction of imbalances in cadres.

17.34 The present system of triennial reviews should therefore be replaced by annual reviews and a quinquennial assessment which should in every case be systematically preceded by informal discussion between officers of the Central Government and the officers of the state governments. This suggestion makes possible assessment of required posts and personnel over a perspective of five years and has the advantage of subjecting it to a yearly check in the context of the actual situation. During these reviews the criteria mentioned above for inclusion of posts in the cadre and for

determining the size of the cadre should be borne in mind, and considering the great expansions that have already taken place, the approach should be conservative rather than otherwise. Where within the Central Government this function should reside is a question that the Study Team on "The Machinery of Government" has addressed itself to and we have no comments to offer.

17.35 Non-adherence to the original policy of recruitment which envisaged a recruitment of the order of 75% of the senior cadre from the regular competitive examination held by the UPSC has proved an equally serious cause of the decline in quality. The mixture in the senior scale of IAS of various state cadres, as surveyed on 1-11-1965, shows that state service officers appointed to the IAS through methods of recruitment other than the annual competitive examination accounted for anything from 27.6% of the state cadre (Madras) to 52% (Rajasthan). (This excludes the J & K and the Delhi-Himachal Pradesh cadres).

Imbalance in the structure and composition of the service—dilution in the original concept

17.36 In addition to this there was the War Service Recruitment in 1947, the Emergency Recruitment from the open market in 1948 and the Special Recruitment from the open market in 1956, which together admitted from the various fields a large number of recruits in relaxation of the normal principle of the open competitive examination and which thus correspondingly reduced the proportion of the regular recruits. As on 1-11-1965 (eighteen years after the first regular examination) the recruits admitted as a result of the open competitive examination accounted for only 43.2% of officers of the IAS in the senior scale and above instead of the original expectation of 75%.

17.37 As a result of this heavy dilution, the IAS has lost, or was never allowed to develop, its character. It has never existed as a homogeneous service. If high expectations have been belied in some instances this absence of homogeneity must bear a considerable share of the blame. It may be that there were historical reasons for this dilution. And yet it seems to us that the extent of dilution was not

wholly unavoidable. Studies carried out suggest, for instance, that the Special Recruitment of 1956 was considerably overdone. But instead of drawing the correct lessons the Central Government has embarked upon a new scheme of War Service Recruitment to the IAS through a simplified three-paper test followed by interview from amongst the officers recruited to the short service commission after the Chinese invasion of 1962. As many as 20% of the vacancies have been reserved for recruits through this source.

Recruitment
of short
service
commissioned
officers

17.38 Here again the principle of an open competition is being departed from. It is true that the country owes it to the short service commissioned officers to rehabilitate them in suitable jobs but it is most questionable whether, irrespective of real merit, a substantial proportion of the vacancies in the highest services should be reserved for them. This kind of reservation, as a measure of rehabilitation, would have been more appropriate in lower categories. For the highest services, in which calibre is always a paramount need, the more appropriate concession would have been one of waiving age restrictions to permit the officers to compete with the rest. The steps taken to ensure "minimum" quality namely, insistence on a degree and a three-paper test have little meaning when the test is confined to this small class. We have pointed out earlier the general decline in the intellectual calibre of the candidates appearing even in the regular examination. By those criteria the calibre of the candidates appearing in the short service commission is far lower, the proportion of first class graduates among them being less than one for every ten vacancies in the combined services and one for every three vacancies in the I.A.S. The figures given in Appendix 37 show that most of the vacancies in the combined services will have to be filled by second and third class graduates and that considering the paucity of competition even the last category will stand a considerable chance of success. (The comparative figures for the regular examination are at Appendix 36).

17.39 This scheme, we fear, will result in the recruitment of sub-standard officers, and the fact that this method of

recruitment will continue till 1971 should be a cause for concern. The efficiency of administration depends very much on sound personnel policies and we would suggest that the scheme of reserving vacancies for short service commissioned officers for the IAS should be reconsidered and that, if it cannot be abolished, at least the limit on the vacancies reserved for it should be reduced from 20% to 10%.

17.40 The third factor affecting quality is the diversion of talented young men to spheres other than government service. In some measure this is not an unwelcome trend as other spheres also have important contributions to make to the life of the country. It is the extent of this flight that causes concern. We feel that for a long time to come the government services will have to play a vital role in the development of the country and in their higher echelons will need ability of the highest order and that steps should be taken to diminish the extent of the diversion that is taking place. The present trend has been occasioned partly by the siphoning off of promising material at the secondary stage to technical spheres and partly by the greater attractiveness of the private sector with more immediate possibilities of absorption for some. It is outside our competence to examine what is perhaps the single most effective measure for rectifying the balance—increase in emoluments, especially at the start of the career—for, the emoluments of the all-India services cannot be considered in isolation but we would advocate that the point be seriously gone into. For our present study other remedies have to be sought, even if their individual impact may not be striking.

17.41 Of importance here are the suggestions made by the Study Team on "Recruitment, Selection, U.P.S.C./State P.S.Cs. and Training" for having a special examination for first and high second class graduates and for effecting better publicity among and better liaison with university students. Both these suggestions we fully endorse.

Attracting recruits to the IAS

Proposals of Study Team on "Recruitment etc."

Raising the upper age limit to 25 17.42 With the introduction of the higher secondary system at the school leaving stage, the minimum age stipulated for passing the higher secondary is 16 plus. With three years spent in graduation and two years in post-graduate studies (it has been found that a large number of candidates prefer to appear in the combined competitive examination only after a post-graduate course), a prospective candidate will be 21 plus in any case and will be 22 plus in many cases. The present rule about the age limit is that one should not have attained the age of 24 on the first of August of the year of examination. This may in some cases deprive a candidate of his two chances. Ordinarily some time for preparation has also to be allowed. In order, therefore, to attract this material in larger numbers and to make it certain that almost every one will have two chances, the upper age limit may be made 25 without increasing the number of chances a candidate can take.

Syllabi 17.43 The syllabi for the competitive examination are at present biased heavily in favour of regular graduates from the universities. Those passing out of the technical and professional institutions are at a heavy discount. While, in the main, technical and professional graduates are not likely to compete for the IAS, some of them might be attracted if the syllabi offered them a chance. This number may be marginal but, considering the limited intake of officers into the IAS, even this marginal number could make a difference. General intellectual development and powers of expression, so necessary in administration, can be tested by the three compulsory papers. But there is no reason why the scheme of optional papers should be so structured as to inhibit professional graduates from appearing for the IAS particularly when they have been declared eligible. The scope of choice of optional subjects for the competitive examination should be enlarged to include more technical subjects. There is no real danger of starving the technical professions by this measure as this will at best attract a small number to the service. The service on the other hand will only gain by the introduction of talent which has both a technical background

and a broad enough intellectual base to be able to cope with the compulsory papers as well as those optional papers which do not come within the compass of its particular speciality.

17.44 We come now to the second and equally vital aspect of the management of the IAS, which has received insufficient attention so far, namely, career development through planned deployment. Development through correct deployment is particularly important in the case of the regular recruits as they have to hold responsible assignments early in their career. It should be a firm principle that an officer after going through the mill of junior training posts should be posted as Collector as soon after six years of service as possible. The post of Collector remains the basic training ground for an IAS officer. It is noticed, however, that some states have not been posting regular IAS recruits as Collectors in sufficient numbers. The outlook has improved because of persistent exhortations by the Ministry of Home Affairs but a considerable leeway is still to be made up. Where such posts are consistently held by select list or non-cadre officers while regular recruits of suitable seniority are available, the Central Government should consider resort to the cadre rules more often.

17.45 Concepts of deployment must be suited to the age of specialisation that has overtaken us and it is of urgent importance that as its impact begins to be felt, the administrative structure should not be found wanting in response. We may quote from the evidence tendered by the Labour Party in the United Kingdom before the Fulton Committee:

“Government is no longer a refined and restricted field of activity distinct from any other. The Civil Service is now in the business of managing a highly complex techno-industrial society—and this is quite a different job requiring different and more technical skills and an entirely and more positive approach”.

The memorandum of the Labour Party therefore advocates “a more forceful concept of public service and a civil servant

B-CAREER
DEVELOP-
MENT
Manning of
District
Posts

Need for
Speciali-
sation

who is more professional, adaptive and creative". Specialisation cannot be easily developed or absorbed within the generalist framework except through an imaginative placement policy and a purposeful programme of career planning and development. The practical implication for the IAS is to make an effort to see that, as far as possible, a particular officer is kept within a definable sector of administration with jobs of a related nature.

There are naturally limitations to this kind of specialisation. For one, it may not be desirable for an officer to specialise for twenty years in one group of subjects. Secondly, for certain kinds of posts like the Chief Secretary, seniority and breadth of experience and not specialisation are the most powerful considerations for it will normally not do for the Chief Secretary to have had experience in only one range of subjects.

17.46 But the career of an IAS officer even upto the time that he begins to hold vital superior posts (e.g. Chief Secretary) is likely to be long enough for him to acquire two kinds of specialisation or mix one intensive specialisation with a little experience in other fields. This is so because the span may be as much as 15 years in the senior scale on an average and may extend beyond it into positions above the senior scale in which the programme of specialised development can be continued.

17.47 What these broad fields of related subjects should be, and how exactly the development of officers in them is to be organized is a question of judgment. Perhaps the entire field of administration could be classified into four main areas of specialisation, namely, (a) personnel administration (b) financial administration (c) general or regulatory administration (i.e. law and order, revenue) and (d) development administration, with sub-specialisations like agricultural administration, economic administration, administration for social services etc. under this group. In allocating actual posts to one or the other group there may be some overlap, especially between categories (c) and (d). Categorization may also be possible on different lines and the one given here is

Categories of
specialities

merely suggestive. The important thing is to decide upon some classification and frame a policy of developing specialization. This principle of specialization, as far as possible, should also be observed when an officer comes on deputation to the Central Government and deployment procedures within the Central Government should be fashioned accordingly.

17.48 It is necessary here to explain the scope and significance of the specialization sought to be developed in the service for manning posts in any sector of administration. It is not the type of detailed, intimate knowledge of every aspect of the field which the 'specialist' invariably has but a broad grasp and understanding of the essentials of that and other related fields to enable him to ask for advice of the right quarters and understand, and process the advice given. What in short this means is that the officer will be a different kind of specialist—one who will see more widely than the specialist in a single field, but more deeply in the field of activity in which he is engaged than a general administrator. His approach though well-informed should not be narrow or academic but practical and administrative.

17.49 The decision regarding the particular specialisation that an officer should be put through may have to be taken about the tenth year of service although it could be made a little earlier if a clear indication of his aptitudes and potentialities is available or a little later if it is not. These decisions need not be irreversible and some running-in period should be allowed for testing them.

17.50 Connected with the question of deployment is ^{Central} deputation that of the system of central deputation. This was evolved so that an exchange of officers could benefit governments both in the states and at the centre. To regulate the system two measures were adopted:

(1) quotas for central deputation were fixed for the states;

(2) tenures were fixed for individual officers.

The idea behind the first was that every state should have a fair share in giving and receiving experience and that of the second was that this share should be spread over as large a number of officers as could be accommodated. In neither aspect has this system been faithfully observed. The table at Appendix 38 shows a considerable imbalance in the proportion of officers drawn from different states at the level of Deputy Secretary and above. Thus there is heavy over-utilisation in the case of one state, possibly due in part to bottlenecks in promotion in that state (although this feature is by no means unique to that state). Relief in such circumstances should not be sought at the centre to more than a marginal extent and it should be for the state government itself in consultation with the centre to devise methods to afford the necessary relief.

17.51 The other serious problem arises from the non-adherence to the tenure principle at the higher levels. At the middle level, although the policy has tended sometimes to vacillate and thereby to generate inconsistencies the principle is being largely observed. At the senior levels (Joint Secretary and above), however, it is observed mostly in the breach and at the levels, in particular, of Secretary, Special Secretary and Additional Secretary officers hardly go back to their own cadres. This breach occurs for a variety of reasons. There is, first, the indubitable fact that the needs of the centre at these rungs have expanded greatly, proportionately much more so than in the states. Coupled with this is the fact that there are more senior men than the states can absorb. There is finally the need for specialisation which we have already discussed and which calls for the retention at the centre of officers in disregard of the normal tenure principle. These circumstances justify a departure from the normal system and it is pertinent to point out that at these levels the tenure principle was not observed with any consistency even in the days of the British.

17.52 While the normal tenure principle may be dispensed with in such circumstances it must be admitted that the gravitation of senior personnel to the centre denudes the

state administrations when it is they in many cases which need strengthening at that level. The states too need senior officers and although the numerical needs of the centre may be greater those of the states cannot be brushed aside. In other words, while it would be wrong to say that all or even most secretaries should be reverted on the tenure principle it would be equally wrong to say that no secretary need become available to the states. On the contrary the state should be enabled to get officers at this level when their administrations need them. The flow of officers may be uneven but must not be entirely one-sided.

17.53 A solution therefore has to be thought of which would recognise the needs of the centre and would at the same time cater to those of the states. One reason why the system of forward and backward movement at the level of Secretary to the Government of India breaks down completely is that he is senior to, and carries emoluments higher than, any officer under a state government. He therefore tends to develop a personal interest in staying as long as possible in Delhi. Nor indeed in actual practice is he forced to return as it is informally recognised that that would amount to a come down for him. Unhealthy attitudes are therefore bred affecting morale, independence of judgment and standards of behaviour. What is required is a flexible approach to the Chief Secretary's post and status so that it can be entertained, if personnel considerations so require, in a rank equivalent to that of a Secretary to the Government of India. This will enable the return to the state government in time of need of a senior officer without carrying any implication of demotion. This could be justified on merit also for the Chief Secretary to a state government today is a far more important officer than his predecessor in the British days. The increasing importance of this post has been realised from time to time and the post itself has experienced upgradation twice in the last 20 years. A similar principle could be followed in the case of the post of Financial Commissioner or Development Commissioner to allow for their equation with the post of Additional Secretary to the

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Government of India. With such a measure the rotation required will at least become physically possible.

17.54 Besides providing this flexibility two more measures should be considered in this context:

- (a) a state should be enabled to have some choice in the return of its able and senior officers on deputation. This choice should be so exercised that the centre's needs are also kept in view. Thus, out of four or five of such of its senior officers on deputation as it considers outstanding a state should after negotiation with the centre be able to get one for a particular post;
- (b) special pools of officers could be maintained by the centre for certain kinds of posts in the states such as Chief Secretary, Development Commissioner, Finance Secretary (and, possibly, in the context of the Indian Police Service, the Inspector General of Police). The formation of such pools would carry no obligation on the part of the states to take officers from them for filling their posts. If they are wanting in men of the requisite experience and desire to draw upon on such a pool, they will be free to do so by negotiation with the centre. In such a case the choice of a state need not be restricted to deputationists from its own cadre.

17.55 Thus the tenure principle needs to be adapted to meet the considerations mentioned in paragraph 17.51. Indeed the need for specialization may demand a modification of the tenure principle at the middle rungs also, leading to its abrogation in some cases, or to a differentiation in the periods of tenure prescribed for different kinds of specialisation. These are naturally matters of detail to be worked out by government.

17.56 An important means of developing and maintaining quality in administration is the proper training of

officers. The subject of training needs, however, to be viewed comprehensively and in the context of the entire period of an officer's career. At present formal institutionalised training is imparted to the young probationer in the first year of his service at the National Academy of Administration, Mussoorie, which is followed by practical training "on the job" in the states. The pattern of training imparted to the IAS probationers should be reviewed so that it serves basic professional needs. There is an advisory council for the National Academy of Administration consisting of 25 persons drawn from different walks of life. This is too large and heterogeneous a body and should be replaced by one that is smaller and more knowledgeable about administration. We feel that an advisory organ of this nature should be more compact and strictly professional in character. It need not consist only of government officers but should have only those on it who, by their qualifications and experience, can promote professional training of this kind.

17.57 There are, besides, various *ad hoc* refresher courses conducted at various places for different purposes. Refresher courses should seek to acquaint officers with new techniques and tools of management. In addition to these refresher management courses there should be training arrangements for developing specialized skills.

17.58 At the initial stages of an officer's career, both in the Academy and thereafter, special stress should be laid on the acquisition of proficiency in the language of the state to which he is allotted. We are aware that these languages are taught at the Academy and that on proceeding to their states the officers are required to pass departmental tests in them. We feel nevertheless that this aspect of their training needs emphasis in a context in which administration will be run almost exclusively in the regional language and in which English (or any other link language) may fall into disuse in the administrative life of a state. Incentives like the grant of advance increments should be given to those officers who, on posting to a state with a regional language other than their own, display the requisite command over it.

17.59 Training of officers thus requires much systematization. There should be an Evaluation Committee consisting, say, of the Secretary (Personnel) to the Government of India, one Chief Secretary from any state, the Director of the Academy and one expert from outside, say, from one of the Institutes of Public Administration or Management to evaluate and review all the existing training courses to assess training needs and to evolve a concrete programme to meet these needs.

D—MORALE

17.60 Morale is difficult to define but the concept is generally well understood. Its vital attributes are the confidence of the officer in himself and the group, the confidence of the group in him, the confidence of the administration in him and the group. These and many other less definable attributes depend to a large extent on the calibre of the officers and the homogeneity of the group-factors which have been dealt with earlier and which are vital to the building up of morale in such a service. Indeed all aspects of personnel management affect morale. One of these is the continuance in government service of reluctant officers and of deadwood. Rules have been so structured that once a person enters the service he cannot, except at the fag end of his career, move out of it without incurring heavy loss to himself in the form of losing all pensionary rights. It can happen that an officer does not wish to remain any longer in service but does not resign as he will then lose all pensionary benefits that he has earned. The reluctant officer continues in service, which is fair neither to himself nor to government. On principle, therefore, the existing policy requires to be changed so as to be more beneficial both to government and to its servants.

Voluntary
retirement
after 15
years

17.61 In this context a scheme under which the officers can voluntarily retire is worth considering. Provision should be made allowing the officers to retire on proportionate pension after 15 years of qualifying service. A limit of 15 years is suggested so that the retiring officer is able to take to an alternative profession if he wishes to. Ordinarily not many officers are likely to exercise this option but the benefits of

such an arrangement can become visible to both sides in certain situations. The option might be exercised, with a sense of relief to both sides, by an officer affected adversely by a situation in which promotions are made on merit and not on seniority. Retaining a reluctant officer, who is passed over and of whose value government is doubtful, is harsh to the officer and is of no advantage to the government which might try fresh blood with profit. Another situation is afforded by bottlenecks in promotion which exist in some states and which, in view of the large recruitment undertaken, will always afflict personnel management in some state or the other. An exodus, as a result of a liberalised retirement rule, is more likely to be realised in cadres where there are such bottlenecks than where there are none and should not be considered an unhealthy development. This scheme may thus help fight frustration and relieve congestion on the one hand and, on the other, help unsuitable officers to make their exit.

17.62 In order to ensure a proper balance among the officers allotted to a state cadre and to promote national integration, a working formula has been adopted by the Home Ministry under which 50% of the officers allotted to a state on the basis of annual competitive examinations belong to a state other than the state of allotment. A sound formula, it was not adhered to meticulously in the earlier years for various historical reasons. During the last few years, however, the insider-outsider ratio has been followed scrupulously. A new version of this formula could give a larger representation to southern candidates in the northern states and *vice versa*. This will be an effective method for bringing north and south closer at least administratively.

17.63 A suggestion sometimes advanced is that a panel of officers should be maintained by the centre from which Chief Secretaries and Inspectors General of Police should be selected by the Chief Ministers for appointment in their states. This idea, in the sense of a binding panel, to be used exclusively for making such appointments is constitutionally unacceptable as it involves a curtailment of the executive powers of the state governments. As a facility to the state

governments, however, to be used at their discretion this idea is attractive. The pool recommended in paragraph 17.54 will serve this purpose and will enable the deputation to a particular state of an officer with a particular background and expertise which that state lacks and requires. The good offices of the centre could facilitate such arrangements between the borrowing and lending cadres. The scope for such exchanges should expand as the need for specialised personnel increases.

17.64 We feel that with the adoption of the measures recommended by us the Indian Administrative Service can be given a face lift. This, despite its generally good performance, it needs if it is to perform its role adequately in an era of expanding governmental activity.

17.65 We have given a rather detailed treatment to the Indian Administrative Service partly because it is this Service that supplies and will be expected to supply the largest proportion of personnel for manning senior posts in the states and the centre and partly because a detailed treatment could also help draw correct lessons for fashioning policies for other all-India services. On the latter point, however, a word of caution is necessary, for not all the issues discussed here would be of direct relevance to the other all-India services. While it is true that the Indian Administrative Service is the prototype for the other all-India services not all its structural characteristics can or should be repeated in the other services. Internal structures will vary according to the proportion of higher posts and deputation posts available and also according to the flexibility required for manning research, teaching or other specialised posts. The policies evolved for recruitment and deployment will also therefore vary. Whether the area of activity of a uni-functional all-India service embraces research, teaching and other specialization or is confined to administration the cadre mechanism evolved will not in every instance be same as that of the IAS and each service may have to evolve a mechanism and structure suited to its own special needs and problems. It would be a mistake therefore to lift bodily our recommendations made in the

context of the IAS and to apply them to other all-India services. Our examination of the policies followed for the IAS is intended to reveal the necessity of framing and following the right personnel policies if the object of the creation of such a service is to be fulfilled. For each of the other all-India services formed there should be a clear enunciation of policy which should guide and direct their management and with reference to which all personnel measures should be devised. With this broad guideline the discussion in this chapter of the IAS could prove of use to other all-India services also, not in the direct applicability of all the measures recommended but in the relevance of the principles underlying some of them.

17.66 To conclude:

**SUMMARY
OF CON-
CLUSIONS**

- (1) the main objectives underlying the all-India services remain valid today. The continued need for the Indian Administrative Service and the Indian Police Service is affirmed. The creation of other all-India services, where feasible, should be welcomed;

(paragraphs 17.4—17.7)

- (2) if the services are to fulfil the objectives it is necessary for the right attitudes to be struck all round. The states must accept these services as their own, the centre must keep a vigilant eye to ensure their health and vigour, the members of the service must act in a manner befitting the trust and responsibility reposed in them, the government must discourage resentfulness in other services;

(paragraph 17.9)

- (3) policies concerning recruitment, training, deployment, discipline and other aspects of management should be such that they subserve the purpose for which the services are formed. An illustrative study of the IAS reveals many shortcomings;

(paragraph 17.8)

QUALITY

(4) the quality of IAS officers has deteriorated because of

- (a) over-large recruitment and indiscriminate growth of cadres**
- (b) imbalance in the structure and composition of the service causing a large scale deviation from original policies of recruitment**
- (c) diversion of talent to other spheres.**

This deterioration in quality must naturally also affect the morale of the service;

(paragraphs 17.13, 17.29, 17.40)

(5) for improving the quality of the service and policies of cadre management

- (a) the cadres, and therefore recruitment, should be curtailed by excluding from the IAS cadres all generalist posts not strictly required to be manned by IAS officers and by following a flexible policy of staffing specialised and semi-specialised posts;**

(paragraph 17.30)

- (b) there should be more meticulous advance planning for personnel by the Chief Secretary;**

(paragraph 17.33)

- (c) the existing triennial cadre reviews should be replaced by annual reviews and a quinquennial assessment;**

(paragraph 17.34)

- (d) the entire scheme of reserving vacancies for short service commission officers for the IAS should be reconsidered and if it cannot be abolished the limit on the vacancies reserved should be reduced from 20% to 10%;**

(paragraph 17.39)

- (e) the suggestions of the Study Team on 'Recruitment etc.' for having a special examination for first and high second class graduates and for**

effecting better publicity among and better liaison with university students should be accepted;
(paragraph 17.41)

- (f) the upper age limit for eligibility to appear in competitive examinations should be raised from 24 years to 25 years;
(paragraph 17.42)

- (g) the scope of choice of optional subjects for competitive examinations should be expanded to include more technical subjects;
(paragraph 17.43)

- (6) (a) every direct recruit should be posted as Collector as soon after six years of service as possible;
(paragraph 17.44)

DEPLOY-
MENT AND
SPECIALI-
SATION

- (b) deployment policies should be so fashioned that an officer is enabled to specialise in a group of related subjects;
(paragraphs 17.45, 17.49)

- (c) over-utilisation of the central deputation quota beyond a marginal extent should not be resorted to by the states to relieve bottlenecks in promotion in their cadres;
(paragraph 17.50)

- (d) considerations of specialisation and of central needs may require some modifications in the existing tenure principle;
(paragraphs 17.51, 17.54)

- (e) although flow between the centre and the states cannot be even at the higher levels it should not be wholly one-sided and the states should be enabled to get some of their senior officers by the adoption of the following measures:

- (i) there should be flexibility in the states of the post of the Chief Secretary so that it can be entertained in the scale of the Secretary to the Government of India;

- (ii) a state should be able to get back an officer out of a panel of its outstanding deputationists by negotiation with the centre;
- (iii) a pool of officers should be maintained for posts like Chief Secretary, Development Commissioner, and Finance Secretary which the states may be able to draw upon in times of need;

(paragraphs 17.53, 17.54)

TRAINING

- (7) (a) the pattern of training of probationers should be reviewed so that it serves basic professional needs;

(paragraph 17.56)

- (b) the existing advisory council for the National Academy of Administration should be replaced by a smaller and more professional body;

(paragraph 17.56)

- (c) in addition to the various refresher courses there should be specialised training in particular specialisations for which the officers are earmarked;

(paragraph 17.57)

- (d) training in the language of the state allotted should be given greater emphasis in the Academy and afterwards and incentives in the form of advance increments provided for attaining proficiency in them;

(paragraph 17.58)

- (e) there should be an Evaluation Committee consisting of Secretary (Personnel), one Chief Secretary, Director, National Academy of Administration and one expert from outside, say, from one of the Institutes of Public Administration or Management to evaluate and review all the existing training courses to assess training needs and to evolve a concrete programme to meet these needs;

(paragraph 17.59)

- (8) (a) provision should be made for voluntary retirement after 15 years' qualifying service on proportionate pension; MISCELLANEOUS

(paragraph 17.61)

- (b) in the matter of allotment of direct recruits to northern states fair representation of southern candidates and *vice versa* should be ensured.

(paragraph 17.62)

CHAPTER XVIII

THE GOVERNOR

DUAL ROLE

18.1 It would be common place, but not mistaken in emphasis, to preface this chapter with the remark that the office of Governor is not meant to be an ornamental sinecure, that the holder of this office is not required to be an inert cypher and that his character, calibre and experience must be of an order that enables him to discharge with skill and detachment his dual responsibility towards the centre and towards the state executive of which he is the constitutional head. This duality in his role is perhaps its most important and certainly its most unusual feature. It would be wrong to emphasize one aspect of the character of his role at the expense of the other, and the successful discharge of his role depends on correctly interpreting the scope and limits of both.

18.2 The Governor functions, for most purposes, as a part of the state apparatus; but he is meant, at the same time, to be a link with the centre. This link and his responsibility to the centre flow out of the Constitution, mainly because of the provision that he is appointed, and can be dismissed, by the President. It is worth noting that while the Constitution prescribes election as the mode of appointment of the President and impeachment as the mode of his removal, in the case of the Governors it vests the power of appointment and removal in the President. The Constitution thus specifically provides for a departure from the strict federal principle, and it is relevant to observe that this departure is not fortuitous or casual. The original proposal before the Constituent Assembly was to have an elected Governor who, having been elected, would be able to exercise influence and power over the state cabinet effectively. This was changed on the motion of Shri Brajeshwar Prasad to the present provision of appointment by the President "in the interest of all-India unity and with a view to encouraging centripetal tendencies"

When moving his amendment Shri Prasad said that it was "necessary that authority of the Government of India should be maintained intact over the provinces". Supporting the motion Shri Jawaharlal Nehru spoke in the same strain. It is clear, therefore, that the Constitution-makers did not intend the Governor to be only a component in the apparatus of governance at the state level: they meant him also to be an important link with the centre. That he does have this other role to perform is confirmed by the existence of certain legislative and administrative provisions in the Constitution discussed later.

18.3 This second aspect of the Governor's role invests it with a significance for national integration and for the preservation of national standards in public administration that has not received enough recognition so far. The reason for this neglect in the past is to be sought in the fact of uniparty rule in the centre and the states. The Governor of a state ruled by the party that also wields power at the centre will always tend to be outflanked and thus reduced to a non-entity. In such a situation the person chosen for the office will, as likely as not, be selected not for his ability to perform his role as visualized by the Constitution but on extraneous considerations, not least of which may be his willingness to endure an abnegation of his role or the need for the accommodation in office of one for whom an acceptable political situation is not available. It is not surprising therefore that the institution has languished from the incognizance it has suffered.

18.4 But the perspective now has changed completely and is never likely to be the same. Different parties rule at the centre and in many of the states and this multiparty situation has probably come to stay. The setting is now appropriate for the institution of the Governor to come into its own and act out its appointed role as otherwise an essential piece in the "environment" in which the states are meant by the Constitution to function will be missing.

18.5 What this appointed role is and properly should be has been subject of much debate. While the broad concept of this role is well understood and generally accepted

controversies have raged over some specific and significant ingredients of it and the manner in which it has sometimes been discharged. It will be our object here to identify the role in its details and to suggest measures for the development of the institution to the level visualized for it by the makers of the Constitution. Underlying all the detailed suggestions that we make later is the need for the evolution of a national policy, to which the centre and the states subscribe, which gives recognition to the role of the Governor and guides the responses of Government and Opposition, in the states and at the centre to any actions undertaken in the discharge of it. Basically such a national policy will require

- the acceptance of the different ingredients of the Governor's role; and
- the spelling out of the implications of this acceptance in the form of conventions and practices necessary to derive the maximum advantage not for parochial ends but for the national objective of defending the Constitution and the protection of democracy.

CONCEPT
OF GOVERNOR'S
OFFICE

18.6 There is some controversy about the matters in which the Governor can act in his own discretion. The concept of the Governor's office as it emerged from the deliberations of the Constituent Assembly was largely one of a constitutional head and yet the role was not meant to be purely formal or passive. Article 163 says:—

- “(1) There shall be a Council of Ministers with the Chief Minister at the head to aid and advise the Governor in the exercise of his functions, except in so far as he is by or under this Constitution required to exercise his functions or any of them in his discretion.
- (2) If any question arises whether any matter is or is not a matter as respects which the Governor is by or under this Constitution required to act in his discretion, the decision of the Governor in his discretion shall be final, and the validity of

anything done by the Governor shall not be called in question on the ground that he ought or ought not to have acted in his discretion.

- (3) The question whether any, and if so, what advice was tendered by Ministers to the Governor shall not be inquired into in any court."

Discretionary action on the part of the Governor is thus specifically envisaged. The Constitution gives discretion to the Governor in so many words only in regard to:—

- (a) the administration of an adjoining Union Territory for which he is appointed the Administrator;
- (b) in the case of the Governor of Assam, in certain matters pertaining to specified tribal areas.

But other areas of discretionary action or action requiring the exercise of judgment also exist. Dr. B. R. Ambedkar, elucidating the role of the Governor in the Constituent Assembly, made a distinction between the functions of a Governor and his duties and observed that while the Governor had no functions, he had two kinds of duties: one in the matter of making or dismissing his ministry and the second "to advise the ministry, to warn the ministry, to suggest to the ministry an alternative and to ask for a reconsideration".

18.7 All these duties require the exercise of judgment. There are, however, other matters for which the Governor may by implication be called upon to exercise his own judgment. Thus both as central agent (the term is not wholly appropriate and is used in the absence of a better) and as constitutional head of the state apparatus the Governor has duties to perform in the light of his own judgment, although many more are non-discretionary in character. For an appreciation of the range of his functioning, both kinds of duties—discretionary and non-discretionary—performed in both capacities are briefly recapitulated below.

18.8 ROLE AS CENTRAL APPOINTEE

A—DISCRETIONARY AREA

(The functions listed are those that are obviously discretionary as well as those which are debatably so. Only those clearly non-discretionary are excluded).

ANALYSIS
OF
GOVERNOR'S
ROLE

(1) *Reporting to the President*—The duty to report flows from Article 355 and is specifically mentioned in Article 356. The Union Government has the duty to ensure that the government of every state is carried on in accordance with the provisions of the Constitution. It has no agency in a state, other than the Governor, to keep it informed of happenings there and whether the state government is being carried on in accordance with the provisions of the Constitution. In the event of a constitutional breakdown, the Governor is expected to make a report to the President and can advise him to assume the functions of the government of a state. The point is not of academic interest only, for President's rule has had to be promulgated on as many as 9 occasions in the period of 17 years during which the Constitution has been in force.

The action of the President invoking Article 356 not being justiciable, what constitutes a failure of the constitutional machinery and calls for the use of this Article has not been and will not be authoritatively defined. But some of the circumstances (these cannot be claimed to be comprehensively listed) in which this power could be used are—

- (a) where there has been a 'political breakdown', *e.g.*, where a ministry has resigned and an alternative ministry cannot be formed without holding a fresh election; or where the party in majority refuses to form a ministry and a coalition ministry able to command a majority in the Legislature cannot be formed;
- (b) where a ministry, although properly constituted, violates the provisions of the Constitution or seeks to use its constitutional powers for purposes not authorised by the Constitution and other correctives or warnings fail;
- (c) where a state fails to comply with any direction given by the Union in the exercise of its executive power under any of the provisions of the Constitution.

In all such cases the Governor's report has to be objective, according to the facts as he sees and interprets them

and not as his ministers or the centre interpret them. Briefly, therefore, in reporting to the President, whether in routine or in unusual circumstances warranting Presidential intervention, the Governor is expected to exercise his own judgment.

Where Presidential rule is imposed the Governor may be entrusted by the centre with the task of actively carrying on the administration for which he then becomes directly responsible under the over-all direction of the Central Government.

(2) *Reservation of bills for the consideration of the President*—Under Article 200, the Governor can reserve a Bill passed by the legislature of the state for the consideration of the President. There is some controversy about the circumstances under which any Bill can be reserved, and also whether the Governor can act in the matter in his own discretion or whether he has to abide by the wishes of his cabinet. On the first question, a wide interpretation leading to a large number of Bills being reserved for the President's consideration would be contrary to the federal spirit of the Constitution. The Article must therefore be interpreted as enabling Presidential intervention only in special circumstances, such as those in which there is a clear violation of some fundamental right or a patent unconstitutionality on some other ground, or where the legitimate interests of another state or its citizens are affected. The Article also provides an opportunity for Presidential intervention in the event of a clash with a central law. In this view of the matter, Presidential veto on state legislation is circumscribed by certain guiding principles, which the Governor must take account of when deciding whether to give assent to a Bill or to reserve it for the President's consideration. On the second question whether it is for the Governor to reserve a Bill on his own judgment or on the advice of his cabinet, views differ. But it is at least arguable that the Governor could exercise his own judgment, in case he feels and his cabinet does not, that unconstitutionality or serious impropriety is involved. This appears to us the correct and natural interpretation of the Constitution.

B—NON-DISCRETIONARY AREA

There are functions that a Governor may be required to perform under directions issued by the centre under the Constitution. The items in which the centre can assume control or give directions are enumerated below.

I. *General provisions concerning matters falling within the centre's executive jurisdiction*

- (a) The Central Government may give directions to a state government to ensure compliance with central laws and to ensure that the exercise of the executive power of the centre is not impeded or prejudiced; [Articles 256 and 257(1)]
- (b) The President may, with the consent of state governments, entrust to any officer of the state, functions relating to a matter falling within the centre's executive jurisdiction; [Article 258(1)]
- (c) Parliament may by law confer power and impose duties on an officer of a state in respect of matters in the Union or the Concurrent Lists. [Article 258(2)]

II *Specific provisions relating to certain matters*

The Central Government may give directions regarding

- (a) the construction and maintenance of means of communication declared to be of national or military importance; [Article 257(2)]
- (b) measures to be taken for the protection of railways within the state. [Article 257(3)]

III. *Provisions concerning languages and linguistic minorities*

The President can issue directions

- (a) in regard to the language for communication between the centre and a state or between one state and another; [Article 344(6)]

- (b) that a language spoken by a substantial proportion of the population of a state should be officially recognised by that state for such purposes as he may specify; [Article 347]
- (c) to secure adequate facilities in a state for instructions in the mother-tongue at the primary stage of education to children belonging to linguistic minority groups. [Article 350-A]

IV. *Provision relating to Scheduled castes, tribes and areas*

- (a) The President has to notify the castes, races or tribes to be deemed as Scheduled Castes in the state; [Article 341 (1)]
- (b) The President has to notify the tribes or tribal communities to be deemed as Scheduled Tribes in a state; [Article 342(1)]
- (c) The President can give directions regarding the drawing up and execution of schemes essential for the welfare of Scheduled Tribes in a state; [Article 339(2)]
- (d) The President can declare areas to be Scheduled Areas and can issue directions in regard to the administration of these areas. (Para 6 of Fifth Schedule)

V. *Provisions relating to Proclamation of Emergency*

- (a) When a Proclamation of Emergency has been made under Article 352, the executive power of the Union extends to the giving of directions to any state as to the manner in which the executive power thereof is to be exercised; [Article 353(a)]
- (b) As soon as a Proclamation of Emergency is made the legislative competence of the Union Parliament is automatically widened and Parliament is empowered to legislate for items falling in List II (State List) and to confer powers and impose duties on the Union executive relating to these items;

- (c) When the Proclamation is in force the President can, by order, direct that all or any of the provisions of Articles 268 to 279 shall have effect subject to such exceptions or modifications as he thinks fit. He can thus modify the provisions of the Constitution governing the financial relations between the Union and the states; (Article 354)
- (d) When a financial emergency is declared, the centre may give directions to a state, *inter alia*, to observe certain canons of financial propriety. [Article 360(3)]

18.9 ROLE AS HEAD OF THE STATE APPARATUS

A—DISCRETIONARY AREA

(Here again the functions listed are those that are obviously discretionary as well as those that are debatably so).

(1) *Appointment of Chief Minister*: Constitutionally the Governor can appoint the Chief Minister in his discretion. Politically, he would ordinarily have no option except to invite the leader of the party or of a combination of parties commanding a majority of the members of the state legislature. Where, however, it is not absolutely clear whether any party or a combination of parties has a majority, the Governor can find himself in a position in which he has to exercise his own judgment. His decisions, in such delicate situations, are crucial and can have far-reaching consequences.

(2) *Dismissal of Ministry* : The Governor can dismiss the ministry under Article 164 for the Chief Minister and other Ministers hold office during the pleasure of Governor. His oath of office requires him to defend the Constitution. It has been argued that this places on him the obligation to dismiss a minister or a ministry that, despite warning, is carrying on its government in violation of the law. Even if a view is taken that his pleasure can be withdrawn from other ministers only on the advice of the Chief Minister it is obvious that he is under no such constraint when the Chief Minister himself is involved

(3) *Dissolution of legislature* : The Governor can dissolve the legislature. Here the consensus (although by no means the unanimity) of opinion is that the Governor can dissolve the legislature only on the advice of the Chief Minister. But the right to refuse the Chief Minister his request to dissolve the legislature probably does lodge with the Governor.

Exercise of discretion in items (2) and (3), even if constitutionally possible, is rarely likely to be politically feasible. A dismissed ministry can be re-elected by the legislature. If the legislature is dissolved, there is the problem of finding a care-taker ministry and there is the possibility of the same party with the same persons returning to power. Nevertheless, in law the power exists and in rare instances can conceivably be invoked.

(4) *Right to advise, warn and suggest* : The Governor has the right to advise and warn his ministry and to suggest alternatives. In particular he can direct that the decisions of a minister be reconsidered by the cabinet. These perhaps constitute the most important duties of a Governor. They do not involve the exercise of any powers but do intend the Governor to be a major source of influence.

(5) *Withholding assent from a Bill* : The powers of the Governor here are considerably less than those of the President when a state Bill is reserved for the latter's consideration. The President can virtually veto the Bill. The Governor, however, can only return it with his comments and if passed a second time, he has to give assent. Whether he can return it only on the advice of his minister is questionable. There is no clearcut finding on the issue but, as in the case of reservation, the Governor can be confronted with situations in which he has to exercise his own judgment.

(6) *Statutory functions* : The discharge of functions endowed on the Governor by statute, e.g. those as Chancellor of a University, would also seem to fall within his area of discretion, despite contrary current practice.

(7) *Discretionary powers of Governor of Assam* : The Governor of Assam has special discretionary powers relating

to tribal areas. These however he exercises as an agent of the President.

On matters in which the exercise of discretion is debatable, a Governor inclined to exercise it is assisted by the fact that under Article 163 his discretion cannot be questioned.

B—NON-DISCRETIONARY AREA

All other functions are performed by the Governor in his formal capacity, not involving the exercise of his personal judgment.

QUESTION
FOR
CONSIDERATION

18.10 This analysis brings at one place the various types of functions a Governor has to perform and distinguishes between functions in which personal judgment or discretion is required to be exercised and those in which it is not. The analysis shows that a Governor's role is not necessarily formal or passive in all situations, that there can be circumstances in which he is called upon to exercise his own judgment, that in some situations the exercise of his judgment can be crucial and that the centre's own role in some of these matters depends upon the proper discharge of the Governor's role. It is vitally important therefore that what the Governor is required to do should be clearly understood by him, by the state government and by the centre. And it is equally important that the Governor should discharge his functions judiciously, impartially and efficiently. How these ends can be assured raises four types of questions:—

- (i) questions relating to the appointment of Governor to ensure that persons of the requisite calibre are appointed;
- (ii) questions relating to the conditions, arrangements and procedures enabling the Governors to perform their duties;
- (iii) questions relating to the powers and procedures for keeping the centre informed of happenings in the state;
- (iv) questions relating to the clarification and need for extension of areas involving the exercise of his own judgment by the Governor.

18.11 If Governors are to fulfil their obligations properly, nothing is as important as the need to ensure that only the right persons are appointed Governors. A Governor has the difficult task of maintaining a balance between national and state interests. The task is rendered more difficult by the fact that he has to do this more through influence than by the exercise of powers. In order that the task should be performed effectively the Governor must be a person who by his ability, character and behaviour inspires respect. He must be able to display perception and judgment, an understanding of political and social forces and an insight into human motives. He must possess great reservoirs of tact, initiative and patience. He must have knowledge, and preferably also experience, of the affairs of government and administration. Above all he must be impartial.

18.12 These are difficult qualities to find in a single person, and it is not surprising therefore that many of those who have filled posts of Governors during the last 19 years have fallen short of this standard. It is our considered view that the real reason for this state of affairs is not the paucity of suitable persons, but the lowly place given to the post of Governor in the minds of those responsible for making these appointments. This in turn is partly due, as already mentioned, to the existence of uni-party Government at the centre and in all the states, and the consequent development of a direct axis between the centre and a state Chief Minister. Circumstances devalued the post, and with that there was a logical fall in the standard of selection for Governors. The post came to be treated as a sinecure for mediocrities or as a consolation prize for what are sometimes referred to as "burnt out" politicians. Most of the persons selected were old men of the ruling party at the centre. All this should not be construed to mean that no suitable men were appointed, but that their number was small.

18.13 In this background, our first and main recommendation about the appointment of Governors is that the attitude of the centre towards these appointments should undergo a radical change. Instead of these posts being treated as sinecures, they should be given due recognition as vital

offices in the federal fabric of Indian administration. This should result in patronage and politics giving way to merit as the test for selecting Governors. Although unusually high personal qualities are required of a Governor, we cannot believe that enough men of the right calibre cannot be found in this big country for servicing seventeen states. We would recommend that systematic and careful search should be made to locate the best men, and that this should be done not after a vacancy arises but well in advance. We would not go so far as to say that those who have taken part in politics should be totally barred from consideration. But we would suggest that selection should not be confined to the party in power at the centre, and that in fact the search for talent should extend not only outside the ruling party but also outside the political sphere itself.

Consultation
with Chief
Minister

18.14 As to the procedure for appointment, the present practice is that the Chief Minister is consulted before the selection of a Governor is finalised. There are some who argue that prior consultation with the Chief Minister should be done away with, because there is no constitutional obligation for such consultation to take place and, what is more important, because a powerful Chief Minister tends under this arrangement to get a Governor for himself who is suitably docile. This argument finds support from the fact that the term of a Governor is five years, while Chief Ministers come and go according to political vicissitudes. Consultation with the person who happens to be the Chief Minister at the time that a vacancy occurs in the Governor's post does not, in this context, have much meaning. All these arguments notwithstanding, there is merit in consulting the Chief Minister beforehand, because otherwise the Governor's delicate task would be rendered even more difficult. We do not therefore recommend a change in the present practice by which the Chief Minister is consulted. We would nevertheless stress that the primary responsibility to appoint competent and suitable men as Governors rests with the centre and that consultation with the Chief Ministers must not be allowed to dilute this responsibility or lower the quality of these appointments.

Term of
Governor

18.15 One of the qualities most necessary in a Governor is that he must function impartially and independently, not

only in relation to the Chief Minister but also to the centre (except where he must carry out central directions issued under the Constitution). It would promote independence and impartiality if all occasions were removed for the Governor either to seek the support of his Chief Minister for the extension of his term or to curry favour with the centre to obtain an extension or an appointment in another state. The Constitution prescribes that a Governor shall hold office for a term of five years, but goes on to add that he shall continue to hold office until his successor arrives. There have been instances of Governors continuing in office well beyond five years under cover of this provision. There have also been instances of Governors moving from one state to another. We would recommend that there should be an invariable rule that no person will have anything more than a five years' term in all. At most it could be laid down that a three months' extension would be possible in exceptional circumstances, such as the inability of the successor to take over owing to illness or any other cause. There should be no possibility of his reappointment in that state or his appointment beyond this period in any other state. This constraint will take the Governor beyond the pale of patronage of the Chief Minister or the centre. We would recommend that this principle should preferably be built into the Constitution.

18.16 Three suggestions have recently been debated in ^{Three} various quarters with the object of making improvements in ^{procedural} the appointment of Governors—^{suggestions}

- (1) The first is that the appointment of Governors should be made subject to ratification by Parliament. The underlying object is to place a helpful curb on the discretion of the central executive. We consider it unlikely that this suggestion will achieve the end in view, for with a majority in Parliament the party in power will find it easy to get approval for its nominee and ratification will thus become a mere formality. The practice suggested also carries the danger that individual names may be discussed in Parliament. This may not only be unwholesome in itself but may also deter good men from accepting posts of Governor.

- (2) An alternative to the above suggestion is that the Central Government should informally consult the Leader of the Opposition in the Lok Sabha on every selection of a Governor before making the appointment. The success of such an arrangement would depend on the health of the working relationship between the Government and the Opposition. Conventions and attitudes in this field are yet to develop fully. While the suggestion could be considered for adoption in due course, our own view is that it is not likely to prove workable at the present stage.
- (3) The third suggestion is that the appointment of Governors should not be treated as the prerogative of the Union Government. It is argued that these appointments do not fall within the scope of Article 74(1) according to which the President must act on the advice of his ministers. Since the Governor is not merely a Presidential agent but also the constitutional head of the state apparatus and in that capacity independent of the Union Government, it has been suggested that appointment by the Union Government acting through the President is not consistent with the federal character of the Constitution. The implication is that the President can and should act in his discretion in the appointment of Governors. This suggestion poses a fundamental constitutional question, which has implications going beyond the appointment of Governors only. The issue whether the President possesses discretionary powers under the Constitution or not, and the further issue whether he should possess such powers or not, are not within our competence. We have consequently assumed as constitutionally correct, for the purpose of our study, the existing practice of the President acting on ministerial advice.

to be Governors. We have no hesitation in recommending that there should be a firm convention that no person who is appointed Governor should take part in politics after his appointment as such.

18.18 In order that a Governor should discharge his ^{ARRANGEMENTS} role effectively, it is necessary that he should keep himself well ^{AND PRO-} informed. This requires that there should be an adequate in- ^{CEDES} formation system in support of the institution of Governor. ^{NECESSARY} The most important features of such a system must be a ^{FOR DIS-} Governor keen to receive and make use of information, and ^{CHARGE OF} a Chief Minister willing to provide access to all relevant information. With the devaluation of the post the last nineteen years have seen, Governors have tended to retire into their shells and are often content to be given no information whatsoever. A full recognition of their role accompanied by a reorientation of the policy in regard to their appointments should help to correct this unfortunate tendency. Equally in need of correction would be the attitude of Chief Ministers which has in the past tended to be unhelpful and sometimes positively obstructionist. Governors should not only receive certain categories of information in the usual course, but should actively look for information relevant to their duties. They must, of course, do so with tact and delicacy. They should freely meet members of the public, as also members of the Government. They should also keep in touch with important administrative functionaries. Chief Ministers and other ministers should not stand in the way of flow of information to the Governor, and in particular should not have the least objection to their secretaries and other officers meeting the Governor at the latter's request. ^{GOVERNOR'S DUTIES}

18.19 Three specific points need to be discussed in connection with providing Governors an adequate information system—

- (a) Article 167 of the Constitution makes it obligatory for the Chief Minister (i) to communicate to the Governor all decisions of the Council of Ministers and all proposals for legislation; and (ii) to furnish such information relating to the administration and to proposals for legislation as the

Governor may call for. In pursuance of this, rules of business in all the states issued under Article 166 provide that the Governor should be shown papers relating to matters which are put before the Council of Ministers and decisions taken thereon, specified classes of cases before the issue of final orders and other cases for information after action is taken. We are told that the centre formulated model rules of business for the guidance of state governments. We would suggest that the model rules should be reviewed with the object of tightening up the provisions which seek to keep the Governor well informed. One of the points such a review should cover is the particular need to keep the Governor informed about the health of key sectors of administration considered important from a national angle. The list of such sectors may vary from time to time but should include items helpful in maintaining national standards of (such as those discussed in this report, whether falling in the environmental category or others) public administration or those of vital importance to national integration or those on which depends the attainment of the more important national developmental targets.

- (b) We understand that there have been instances of restrictions being placed on the movement of Governors within their states. The *modus operandi* is for advice to be tendered to the Governor that it may not be possible to make security and other arrangements if he visits a particular place. Fortunately such instances have been few and far between. But we consider the matter important enough to be made mention of in this report. The tendency that such instances represent is an unhealthy one and violative of the spirit of the Constitution. It is part of the Governor's duty to keep himself fully informed of events and attitudes in his state and he must have free physical access

to every place. It should not be for a state government to place obstacles and thus prevent the mobility of a Governor. We would recommend that any rule, practice or convention that constitutes an obstacle at present should be changed so as to make it quite clear that the Governor may go wherever he considers his duty takes him and that the state government must make the necessary arrangements.

- (c) The fall in the importance of the Governor's post has been accompanied by a corresponding decline in the secretariats of Governors. In some states it is not unusual to find that the post of secretary to the Governor is occupied by a military officer or an officer unacquainted with administrative processes of the state. We consider it an essential part of the information system in support of a Governor that there should be a well-manned secretariat in each case. The practice of Governors taking along unsuitable persons known to them earlier and getting them appointed as secretaries should cease. Only persons with administrative experience and training should be utilised as Governors' secretaries. It is necessary for us to stress the obvious, *viz.* that ordinarily such posts should be filled from amongst officers of the Indian Administrative Service because this is the kind of post that the Service is meant to provide men for.

18.20 In accordance with a decision taken in June 1948, ^{Procedure for keeping the centre informed} Governors write fortnightly letters to the President and send copies to the Chief Ministers of their respective states. In that it institutionalises the obligation of the Governor to provide information to the centre and the right of the latter to obtain it, this practice has our full support. The provision about sending copies of fortnightly letters to the Chief Ministers could be construed to mean that Governors are debarred from sending report to the centre unless their contents are also shown to the Chief Ministers. For the removal of any possible misunderstanding, we would like to stress that this would

be a mistaken construction. Governors are, in our view, perfectly within their right to send reports to the President without any obligation to send copies to the Chief Ministers. That a practice to keep Chief Ministers informed about the contents of fortnightly letters has developed is only a matter of convenience and courtesy. It has been suggested that the obligation to endorse copies of fortnightly letters to Chief Ministers inhibits Governors from writing frankly. Because of this it is said that the fortnightly letters of Governors have tended to become common-place and the task of writing such letters is treated by Governors as a routine one. We consider that the tool of the fortnightly letter can be put to effective use if Governors take the trouble of posting themselves with facts and information on the basis of which they can make telling reports to the centre. It is our view that the obligation to endorse a copy to the Chief Minister should not prevent a Governor conscious of his duty and responsibility from doing justice to his fortnightly report to the President. In fact the drafting of the fortnightly letter, if undertaken in the true spirit and with the appropriate skill, could at once post the centre with meaningful information and give timely advice and warning to the Chief Minister. We therefore recommend that the existing practice should continue and that it should be made effective by the task of writing fortnightly letters being given more importance by Governors.

18.21 Occasions may arise when the Governor considers it necessary to make reports to the centre other than fortnightly reports, copies of some of which he may consider it inadvisable to endorse to the Chief Minister. As mentioned above, should circumstances justify the submission of such reports the Governor would be perfectly within his right to do so. We recommend therefore that *ad hoc* reports should be made from time to time whenever the need arises, and that it should be regarded as the Governor's right and duty to make such reports without the obligation of informing the Chief Minister.

18.22 We would like to see a practice developing under which the Governor not only keeps himself informed about key sectors of public administration but also communicates

his impressions about the health of such sectors from time to time to the centre. In this connection we would suggest that, apart from occasional treatment of these matters in fortnightly and *ad hoc* reports, each Governor should make an annual report to the President which includes a review of the working of all key sectors of administration, excluding audit. This should not duplicate or replace the annual reports of the sectors concerned, but should be in the nature of an evaluative exercise to check whether nationally accepted standards have been maintained or not, what the state of affairs is with reference to national integration and whether public administration in the state is well geared to the attainment of national development targets. It would be useful for the centre to work out a format of the annual report. The exercise of evolving this format should be linked to that of reviewing the model rules of business, so that the end is related to the means.

18.23 The question whether the Governor's role could be extended so as to make him a useful instrument in keeping up efficient standards in the state administration has been considered by us. The specific suggestion we considered was that the Governor should be given a special responsibility in relation to the services. He should be enabled to see that justice is done to civil servants, that right policies are pursued in personnel management and that the Public Service Commission functions correctly. This would mean, among other things, that memorials from aggrieved civil servants should be decided by the Governor in his own judgment, after taking account of the Government's stand. We are attracted by this line of thinking, particularly in view of the neglect of the services that is apparent in most states. But the authority of the elected Government cannot be cut into by formal entrustment of such executive functions to the Governor. What could be considered is the gradual development of convention under which state governments voluntarily concede a watch-dog status to the Governor in specific areas, agreeing in the process to accept and implement whatever he advises. A practice on these lines was successfully tried in at least one state some time back. The Governor was given the task of considering memorials from civil servants

QUESTION
OF EXTEN-
SION OF
ROLE

at all levels and was assisted in the consideration of such memorials by a senior secretary specially assigned for this purpose. A convention was adopted under which the Governor's decisions were accepted without question and faithfully implemented. We understand that the arrangement worked well and succeeded in giving widespread satisfaction to aggrieved government servants. This could well serve as a model for all state governments. In our view it is of national importance to arrest the decline in the morale and quality of state civil servants. It seems to us that a voluntary move on the part of all Chief Ministers in this direction should provide an effective answer. Our specific recommendation therefore would be that the practice described above in regard to memorials should be extended to all states in the shape of a uniform convention accepted by the state governments. This should be regarded as a beginning, and if circumstances do so warrant, the role of the Governor could be widened to other specific matters, again by convention, in the realm of service matters.

18.24 To conclude:

SUMMARY OF RECOMMEN- DATIONS

- (a) instead of treating the posts of Governors as sinecures, they should be given due recognition as vital officers in the federal structure. Systematic and careful search should be made to locate the best men and this should be done well in advance and not after a vacancy arises;

(paragraph 18.13)

- (b) the present practice of consulting the Chief Minister before the Governor is appointed could remain but this should not dilute the primary responsibility of the centre to appoint competent and suitable men;

(paragraph 18.14)

- (c) the term of a Governor should not be more than five years. In exceptional circumstances such as the successor's illness etc., a three months' extension may be permitted. This principle should preferably be built into the Constitution;

(paragraph 18.15)

- (d) no person who is appointed Governor should take part in politics after his appointment as such;
(paragraph 18.17)
- (e) in order to provide Governors with an adequate information system:—
- (i) the rules of business in all the states issued under Article 166 should be reviewed with the object of tightening up the provisions which seek to keep the Governor well-informed;
(paragraph 18.19 (a))
 - (ii) no restriction should be placed on the movement of Governors within their states and any rule, practice or convention that constitutes an obstacle at present should be changed;
(paragraph 18.19(b))
 - (iii) there should be a well-manned secretariat with every Governor in which the key post should be filled from among officers of the Indian Administrative Service;
(paragraph 18.19 (c))
- (f) the existing practice of the Governors writing fortnightly letters to the President should continue and should be made more effective. When occasion demands the Governors may send *ad hoc* reports to the President without the obligation of informing the Chief Ministers;
(paragraphs 18.20, 18.21)
- (g) apart from the fortnightly and occasional *ad hoc* reports, each Governor should make an annual report to the President which includes a review of the working of all key sectors of administration, excluding audit;
(paragraph 18.22)
- (h) the Governors could by convention be voluntarily entrusted with the role in certain specific service matters.
(paragraph 18.23)

CHAPTER XIX

AN INTER-STATE COUNCIL

NEED FOR
CONSULTA-
TION WITH
THE STA-
TES

19.1 Although the Constitution, in Schedule VII, provides for a three-fold enumeration of subjects and although the centre and the states are free to legislate and carry on activities in their own domains, in practice neither the centre nor the states can function in water-tight compartments. The Union and the units are inter-dependent in numerous ways. The economy of the country being indivisible it exerts a constant pressure towards administrative unity. We have already seen how, in the sphere of planning and development these pressures have tended to weld the three layers of responsibility, central, state and concurrent, into a near monolithic piece. The unity thus brought about has to have the force of consent, not of law. This calls for co-operation and co-ordination on the basis of policies arrived at after due consultations in which the nation as a whole, through the central and state governments, participates. Planning furnishes the most striking illustration but there are others no less pertinent.

19.2 Thus, in the field of financial administration many of the measures taken by the centre and the states from time to time are mutually interactive and so sharply is their influence on one another felt that the need for the co-ordination of financial policies, whether in the matter of the regulation of incomes, or of borrowings, or of aspects of taxation, has been urged in many forums. Here again co-ordination can be effective only if it is based on commonly acceptable policies for which consultation with the states is necessary.

19.3 The entire field of concurrent jurisdiction is one in which such consultation becomes imperative. "Power" and "food distribution" are two illustrative items. Even in purely central subjects the co-operation of the states, calling for a national policy, becomes at times necessary as for

instance when the mobilization of state effort is required for the defence effort.

19.4 We have earlier, in Chapter XII, spoken of national policies on public administration embracing institutions of fundamental importance, irrespective of their classification in the Seventh Schedule. The list of items on which such policies are considered desirable may indeed expand with time and for the determination of these policies a national consensus is indispensable, for only a policy arrived at after such a consensus can have any chance of being put into practice with sincerity.

19.5 The fact is that governmental activity in a federal structure, despite a well-defined division of functions, requires common direction in many spheres and co-ordination and co-operation in many others. This is inescapable in any federation, and federalism everywhere is becoming increasingly co-operative. This need is all the more marked in our federation as it is more than usually well-knit administratively and economically. This co-operation and co-ordination, in turn, require an apparatus for effecting regular consultations between the centre and the states.

19.6 In realisation of the need for such consultations an enabling provision for setting up a forum for them was made in the Constitution itself. Thus Article 263 enables the President to set up an Inter-State Council to deliberate on matters of common interest and advise him on them. But such a council has not been set up except for two items—health and local self-government—both matters of a technical interest and limited range. No council of this nature has been set up for effecting consultations on any major matter of national importance.

19.7 It is not that the need for consultations has not been recognised. It has been recognised in many fields and various methods have been evolved to cope with it. Thus for planning the National Development Council has been established. In other spheres the device of the Ministers' conference—standing or *ad hoc*—has been used. It would

REVIEW OF
EXISTING
ARRANGE
MENTS

be worthwhile seeing how the existing machinery operates. For this purpose the following areas, which are of vital importance, have been selected for scrutiny:

- (1) the National Development Council
- (2) the Finance Ministers' Conference
- (3) the Food Ministers' Conference
- (4) the Labour Ministers' Conference
- (5) the National Integration Council-
- (6) the Chief Ministers' Conference

The National Development Council

19.8 We have already seen in Chapter VI the operational weaknesses in the functioning of this Council. These need not be recapitulated here in any detail. Briefly, we have observed that it meets at very short notice, for very short periods, to discuss and dispose of a number of issues of grave import. We have found, therefore, considerable scope for the streamlining and systematization of procedures for on these really depends the effectiveness of this device as a mechanism for national consultations.

The Finance Ministers' Conference

19.9 The need for an institutional device to discuss financial matters of common interest has often been pointed out and was particularly stressed by the Fourth Finance Commission. No regular institution has been devised and recourse has been had to the Finance Ministers' conferences, called as and when desired by the Union Finance Minister. This device suffers from some major drawbacks as listed below.

(1) Being an *ad hoc* conference, it is called at the will of the Union Finance Minister. Thus between 1963 and April 1967 no conference of Finance Ministers was held, obviously not for want of subjects for discussion.

(2) Items for discussion are suggested only by the centre and this forum has thus not been fully utilised for discussing all matters that should be taken up here. Instances of matters

in which the states are vitally interested but on which consultation with them either has not taken place at all or has been inadequate may be furnished here:

(a) at present there is no convention or legal provision requiring the centre to obtain the concurrence of, or to consult, the states in matters affecting taxation in which the states are interested. Article 274 of the Constitution does provide for the prior recommendation of the President for Bills relating to such matters, but the President here acts in his constitutional capacity and accepts the advice of the central ministers. Consequently, this Article does not adequately protect the interest of the states. Thus, income-tax paid by companies was classified as corporation tax in 1959 without eliciting the views of the states thereby affecting adversely the growth of the divisible pool;

Taxation
affecting the
States and
article 274

(b) Article 269 of the Constitution mentions a number of taxes which are levied and collected by the centre, but, the proceeds of which are to be wholly assigned to the states. Inter-state sales tax and estate duty are the only taxes in this category which are levied at present. As regards the remaining taxes, terminal tax on goods or passengers carried by railway, sea or air and taxes on sale or purchase of newspapers and on advertisements are potential sources of fairly sizeable revenues. There are some other possible taxes which may encounter practical difficulties or may not prove productive. Some of the taxes leviable under Article 269, if levied, may affect central revenues, but where the balance should be struck and why is a matter in which it would have been relevant to elicit the opinion of the states and have a frank discussion with them;

Taxes under
article 269

(c) incomes policy is yet another matter of common interest. Dearness allowance given by the centre affects the states and that given by one state may affect a neighbouring state. The states have been commenting on this from time to time and what is required is a forum where they can discuss this subject collectively and with the centre to some purpose;

Incomes
policy

Overdrafts

(d) the questions of overdrafts and deficit budgeting were taken up by the Union Finance Minister in the 1967 conference. These were items that presumably could have been taken up earlier also but as already noted, no conference of Finance Ministers was held between 1963 and 1967.

(3) There is, on occasions, some overlap with the National Development Council. The subject of resources for the same plan, for instance, may be discussed at different times in these two different bodies. In the case of the Fourth Plan a discussion on resources in the Finance Ministers' conference in 1967 followed that in the National Development Council. The composition of the two bodies is not identical and it is doubtful if two different forums should be used, even if the Finance Ministers may be assumed to be speaking on behalf of and with the authority of their respective Cabinets.

(4) There is a tendency here also to send agenda late, sometimes almost at the last moment. This indeed is a general defect with all such conferences as the sample of data at Appendix 39 will show.

The Food Ministers' Conference

19.10 The acute nature of the food problem and the need for an all-India policy on food has compelled the convention of a number of conferences of State Food Ministers, and even Chief Ministers, during the last three or four years. Here again meetings are often convened hurriedly, agenda notes sometimes being circulated on the day before the meeting.

The Labour Ministers' Conference

19.11 These are annual conferences (although sometimes they are held oftener). Being a regular annual event the states also suggest items of discussion. A feature noticed is that an item discussed here may also concern ministers other than Labour Ministers. Thus the issue of "gheraos", involving questions of law and order, would concern Home Ministers also and it would not be enough to elicit the

opinion of Labour Ministers only. As Home Ministers are not present a clear-cut national policy cannot emerge on such an issue in a limited conference of this kind.

The National Integration Council

19.12 This forum, established to consider problems of national integration, has been moribund since 1962. It cannot however be said that problems of integration no longer exist.

The Chief Ministers' Conference

19.13 These again are *ad hoc* conferences convened by the Union Minister concerned to discuss problems that are considered urgent and of national importance requiring attention at the highest level. No specific ministry has been given the function of organising or co-ordinating the work of these conferences. The presence of the Chief Ministers in the capital can also be utilised for the work of ministries other than the one concerning the conferences. It has been left to the Minister calling the conference to inform the others and co-ordinate work regarding items that they wish to discuss. Till lately, it appears, there was no procedure prescribed to keep even the Prime Minister informed of these conferences. Latterly the Prime Minister has asked her cabinet colleagues to consult her whenever they propose to call such conferences. But even so, not enough systematic arrangement has been made. As Chief Ministers are concerned with all subjects, their conference tends to suffer from defects besides those of short notice and the late despatch of agenda. Conferences are called by different ministries at short intervals resulting in inconvenience and even waste of time. Thus, in 1964, one Minister convened a conference for the 26th of October, another for the 29th of October. Besides not every item brought up in these conferences would seem to deserve attention at this high level, as will be borne out by the statement at Appendix 40. Many of these items could easily have been disposed of at lower levels and their inclusion could not have resulted in the best utilisation

of the time of the Chief Ministers. But when such conferences are convened by individual ministries there is a natural propensity of the Union Minister concerned to pack, in his enthusiasm, as many items as he can in such a conference to get the opinion of the highest quarters in the states or to get his point of view across to them. And yet those quarters do not have to be burdened with all those items.

There is, furthermore, no co-ordination regarding follow-up action. Thus the conclusions of the Chief Ministers' conferences are circulated to the ministries or officers concerned for taking necessary action. Neither any specific ministry is made responsible for seeing that follow-up is done in all ministries, nor, in some ministries, is any officer or section made responsible for such co-ordination within the ministry.

19.14 The existing system thus has substantial defects. Another, and a major one at that, could be added to those discussed above and this is the absence of any forum whatever to discuss issues relating to fundamental institutions of public administration, national policies for which have been advocated in Chapter XII and in the succeeding chapters. It would appear that the arrangements for sounding and consulting the states need to be organised more systematically.

19.15 The need here is for a single, standing body to which all issues of national importance can be referred and which can advise on them authoritatively after taking all aspects of the problem into account. The advantage of a single body is that every problem can be viewed by it in the perspective of the whole. This integrated look, necessary in fashioning basic policies of national importance, is missing in the dispersed system operative at present. The body should be a standing one and should meet at regular intervals so that all participants, armed with foreknowledge of its meetings, can make effective use of the forum. Shortcomings in conferencing procedures could then be eradicated, because with a standing body meeting at prescribed intervals, adequate supporting machinery would have to be devised. The body must be so organised that both the centre and states find

it feasible to refer issues exercising them to it. Representation on it naturally has to be at the highest level for at that level alone can issues be pronounced upon after taking a comprehensive and unsegmented view.

19.16 It is hardly necessary to point out that the Rajya Sabha as it has been conceived by the Constitution cannot discharge the functions of such a body. The Rajya Sabha is meant primarily to be an Upper House and it represents the interest of the states only in a very limited way, its presentation of the views of the states being confined to matters embraced by Articles 249 and 312. In any case this House, although consisting of persons elected by the state legislatures, is not an appropriate forum for furnishing the point of view of the state governments and centre-state consultation really means consultation between the central and state governments. Besides it cannot be one of the functions of a legislative body to hammer out administrative policies lying within the domain of the executive.

19.17 We would, therefore, suggest in this context the establishment of an Inter-State Council under Article 263. Article 263 reads as follows:

NEED FOR
AN INTER-
STATE
COUNCIL—
ITS FUNC-
TIONS

Co-ordination between States

“263. If at any time it appears to the President that the public interests would be served by the establishment of a Council charged with the duty of—

Provisions
with res-
pect to an
inter-State
Council

- (a) inquiring into and advising upon disputes which may have arisen between States;
- (b) investigating and discussing subjects in which some or all of the States, or the Union and one or more of the States, have a common interest; or
- (c) making recommendations upon any such subject and, in particular, recommendations for the better co-ordination of policy and action with respect to that subject,

it shall be lawful for the President by order to establish such a Council, and to define the nature of the duties to be performed by it and its organisation and procedure."

All issues of national importance in which the states are interested can be placed before this forum as they will be covered by items (b) and (c) of this Article. This body should replace the National Development Council, the Chief Ministers' Conference, the Finance Ministers' Conference, the Food Ministers' Conference and the National Integration Council. Besides issues of importance normally taken up in these forums, any other issue of national importance that arises at any time may also be placed before this Council. The President has already established a Central Council of Health and a Central Council of Local Self Government under Article 263 for the purpose of co-ordinating the policy of the states relating to these matters. These councils however work within a narrow ambit of activity. The Council proposed by us will be wide-embracing and will provide a standing machinery for effecting consultations between the centre and the states.

Only issues of real and national importance need be taken up there. Others should be settled by conferences convened by the ministries concerned, at a lower, preferably official level.

19.18 We would however like to exclude two functions from the ambit of this Council. Article 263 considers the possibility of such a council advising on inter-state disputes. The question could, therefore, be asked whether this Council should not also have the charter of enquiring into and advising upon inter-state disputes particularly border disputes which tend to create considerable ill-feeling between contending states. An unnecessary onus is placed in such cases on the Central Government and any action, or inaction, on its part can be misunderstood by a contending party. Should not such disputes be automatically referred to such a Council for advice? To this, the answer is that if all disputes are referred to this body there will be a spate of disputes. An

arrangement that breeds such a tendency should be discouraged. A process of selection of disputes for reference to this body will be impracticable as it may become difficult to discriminate between disputes that should be referred to it and those that need not be so referred. Besides the composition of the Council proposed by us later would not be suitable for advising on such disputes. And, in any case, saddling the proposed Council with functions in the area of disputes would prevent it from giving full attention to the various problems of national concern which it ought primarily to consider.

19.19 Another matter, for which the setting up of an advisory council has been urged by some, is that of the appointment of federal officers. These are constitutional appointments, made by the President, but in which the states are also interested and the distinguishing feature of which is that they are expected to function independently, not only of the state but also of the central executive. These appointments include, among others, the Governors, the Chief Justice of India, the Chief Election Commissioner, the Chairman of the Union Public Service Commission, and the Auditor General of India. We have given much thought to this matter. We realise the need to make good and impartial selections to these offices but feel that it would go against the spirit of our Constitution and the idea of cabinet responsibility if such appointments were to be entrusted to any such council. In Sir B. N. Rau's first draft of the Constitution, a council had been provided for with this, among other items, as a part of its proposed charter, but in that draft the President was not merely a constitutional head but had been given substantive powers in certain matters. The idea of substantive powers for the President was not approved by the Union Constitution Committee as that would have split the executive. It was accordingly decided that the President should be only a constitutional head and in that view of the matter Sir B. N. Rau himself abandoned the proposal for such a council in his revised draft. Later Dr. Ambedkar revived the idea in another form in the Constituent Assembly, where

again it was rejected for the same reason. We do not consider it appropriate to resuscitate the proposal in any form now, for it will have the effect of diluting cabinet responsibility and splitting the executive. We hope however that the Central Government will always exercise the greatest care in making selections to these offices so that their incumbents inspire confidence all round.

**ORGANI-
ZATION
AND
PROCE-
DURE**

19.20 Article 263 leaves it to the President to define the organisation and procedure of such a council. On some aspects of its organisation and procedure we have a few suggestions to make.

Composition

19.21 The composition of the Council may be as follows:—

- (1) Prime Minister
- (2) Union Ministers for Finance, Home, Labour, Food and other subjects in the State and Concurrent Lists
- (3) Chief Ministers or their nominees
- (4) any others invited by the chairman or co-opted by the Council.

As a result of (4) it will be possible to invite other central ministers, members of the Planning Commission or other experts whenever their presence is required. A Chief Minister should be enabled to send his nominee (who could be the minister concerned) if the subject of discussion happens to be specialised and does not necessarily require the Chief Minister's personal presence. His nominee will then speak on behalf of his Chief Minister. The Council may meet under the chairmanship of the Prime Minister and in the absence of the Prime Minister the seniormost Union Minister present may preside.

Frequency

These meetings may be held at regular intervals, say, once in six months, and oftener, on *ad hoc* basis, if need arises

The Council should have an appropriate secretariat with the following functions: Permanent Secretariat

- (i) the preparation and co-ordination of agenda notes and the circulation of papers to members of the Council; and
- (ii) taking follow-up action where necessary.

The Secretary of the Council should be an officer having the knowledge, experience and status that will enable him to work effectively.

As the Inter-State Council will deal with a variety of matters its secretariat should be located in the Cabinet Secretariat which is essentially charged with the functions of securing co-ordination. Location

The conclusions of the conference will be advisory in nature. Status

As the Council will be set up by the President, its cost should be borne by the Central Government. Finance

19.22 Neither on the details of its composition, nor on those of its organisation and procedure should our views be taken as definitive. These are at best suggestive and these details can be settled by the Government. What we would like to emphasize is the need for such a council, suitably composed and having the function of advising the President on issues of national importance.

CHAPTER XX

IMPLEMENTING THE REPORT

EXPEDI-
TIOUS AND
INTEGRA-
TED CON-
SIDERA-
TION RE-
QUIRED

20.1 Having completed our task we may perhaps offer some suggestions on the procedure to be followed in taking further action on the report of the Administrative Reforms Commission based on our present report. If the usual procedures of processing a report are followed, different portions of the report will be studied by the concerned departments of the central and state governments. In each department recommendations will be scrutinised by officers at successively higher levels, till, finally, decisions are taken either by the Minister or the Cabinet. This procedure is bound to be time-consuming, the time taken running perhaps into years, before decisions can be taken and it will be difficult for those examining individual recommendations to keep the overall perspective in view. As pointed out in the introductory chapter the proposals in the report have to be viewed as a whole. In considering the report in parts there is a distinct danger that the underlying strategy may be missed. We have, for instance, proposed a large measure of decentralisation in the sphere of planning and finance, but this has been balanced by proposals for greater central involvement in certain other fields of administration. Any modification of one set of proposals, without considering its repercussions on the rest, will be at the cost of the equilibrium that our report as a whole has sought to achieve.

20.2 That consideration should neither be fragmented nor long-drawn-out will be readily conceded. What is required therefore is a device that ensures an expeditious examination of the report in its entirety by the central and the state governments and the evolution of a co-ordinated programme of implementation. This can be made possible if, instead of following the usual method of processing reports, the report is considered as a whole in a series of high-level

meetings of representatives from the centre and the states who may take decisions in principle on the major recommendations, leaving the consequential details to be worked out by the individual departments.

20.3 The Inter-State Council, the creation of which we have recommended in Chapter XIX, is an obvious choice as the most suitable forum for the inter-governmental meetings mentioned above. With the Prime Minister, Central Ministers and Chief Ministers as its members the Council will command the prestige and authority required for taking decisions on national policies and it will be morally incumbent on the governments to treat the Council's decisions as mandatory. We, therefore, suggest that the setting up of the Council should be the first step that the Central Government, on receiving the report of the Administrative Reforms Commission, should take. The report should, thereafter, be considered by the Council for taking decisions on the major recommendations. If it is decided not to establish such a Council, the forum of the Chief Ministers' Conference could be used.

ROLE OF
THE INTER-
STATE
COUNCIL.

20.4 It would be unrealistic to expect the Council to take up the report without the participants having had an opportunity of conducting a preliminary examination. The meeting of the Council to consider the report could be called within a reasonably short period, say three months of the submission of the report by the Commission. As soon as the Central Government receives the report it could send copies to all state governments asking them to keep in readiness for discussions. In the meantime, it could take a decision on the question of setting up an Inter-State Council. It would then be incumbent on all the governments concerned to complete their preliminary examination by then so that their representatives can discuss the report properly prepared.

20.5 The main object at this stage would be that the Council should arrive at broad conclusions on the major questions dealt with in the report. To assist the Council, it would be advisable for the Central Government to identify

and mention these to the state governments in advance. The different Cabinets will then form tentative views on these matters, but it is important that these views at this stage should only be tentative and that their representatives should come to the Council with minds open to conviction and prepared for give and take. Once the Council ratifies a particular approach the way will be paved for the speedy implementation of the report.

20.6 After taking decisions in principle the Council (or the Chief Ministers' Conference) should also be entrusted with the function of watching the progress made in the matter of implementing those decisions. Implementation should therefore be a standing item on the agenda of these meetings until it is completed.

20.7 It will also be necessary to provide for a central agency which will programme and co-ordinate the implementation of the Commission's report. The Study Team on the "Machinery of the Government" has recommended that the agency to work out details and to oversee implementation of reform measures recommended by the Administrative Reforms Commission should be the Department of Administrative Reforms. This recommendation admirably suits the task of implementing the report on centre-state relationships, for the Department of Administrative Reforms has been closely associated with this study and is therefore well-equipped to act as the co-ordinating agency. It will also be able to ensure that the ideas and principles underlying recommendations are not lost sight of. While the co-ordinating service for Government will be performed by the Department of Administrative Reforms, the Inter-State Council will be fed through its own secretariat, with which the Department of Administrative Reforms will establish close rapport.

20.8 The essence of the procedure recommended above will be applicable even if it is eventually decided not to have an Inter-State Council, for then, as mentioned earlier, the Chief Ministers' Conference can be used as a substitute.

20.9 To conclude :

- (1) the report of the Commission should be sent to the states as soon as it is received by the Central Government so that they can be in readiness for discussions;
(paragraph 20.4)
- (2) before taking up the report as a whole, government should take a decision on the recommendation contained in Chapter XIX regarding the establishment of an Inter-State Council;
(paragraph 20.3)
- (3) the major policy questions raised in the report and affecting the centre and the states should be discussed at the meetings of the Inter-State Council (or at Chief Ministers' Conferences convened specially for the purpose if it is decided not to set up an Inter-State Council) and decisions in principle obtained. Meetings to discuss the report should be convened within a reasonable period, say three months of the submission of the report;
(paragraphs 20.3, 20.4)
- (4) at this stage, the Council will arrive at broad conclusions on basic questions, which should be identified in advance;
(paragraph 20.5)
- (5) to make the Council's deliberations businesslike and conclusive, it will be necessary for the governments to formulate their tentative views before the Council meets. The views should be tentative and representatives should go to the Council with open minds;
(paragraph 20.5)
- (6) the Inter-State Council should watch the progress of implementation which should be a standing item on the agenda for its meetings;
(paragraph 20.6)
- (7) the Department of Administrative Reforms should be the agency for co-ordinating and overseeing implementation.

(paragraph 20.7)

CHAPTER XXI

THE SCOPE AND METHOD OF WORK

CONSTITUTION OF STUDY TEAM 21.1 The Administrative Reforms Commission constituted the Study Team on "Centre-State Relationships" on May 17, 1966 consisting of the following:—

Chairman

1. Shri M. C. Setalvad, M.P.

Members

2. Shri M. Bhaktavatsalam, Chief Minister, Madras.
3. Shri Hitendra Desai, Chief Minister, Gujarat.
4. Smt. Tarakeshwari Sinha, M.P.
5. Dr. G. S. Sharma, Director, Indian Law Institute.
6. Shri P. C. Mathew, Secretary, Ministry of Labour, Employment and Rehabilitation, Department of Labour & Employment.
7. Shri R. Gupta, Adviser to the Chief Minister and ex-officio Additional Chief Secretary, West Bengal.

Member and Director of Studies

8. Shri N. K. Mukarji, Joint Secretary, Department of Administrative Reforms.

Later, Shri Hitendra Desai resigned his membership as his other commitments prevented him from giving the attention he would have liked to give to the work of this Team. His valuable contribution in the earlier stages helped us considerably in arriving at many of our basic conclusions.

TERMS OF REFERENCE 21.2 The Team was asked to examine centre-state relationships in

- (i) the realm of planning and development, with particular reference to the growth of central agencies handling Concurrent and State List subjects;

- (ii) other spheres, with particular reference to the needs of national integration and of maintaining efficient standard of administration throughout the country.

In addition, as explained in the Introduction, the Team undertook to examine financial relationships as without a study of these no meaningful examination could be conducted of the total subject of centre-state relationships, and particularly of that aspect that dealt with the realm of planning and development.

21.3 The ambit of the study was decided in the first meeting of the Team which was guided by the Chairman of the Commission, Shri Morarji Desai. The scope of the Team's work and the broad approach to be adopted were discussed and it was decided that the relationships between the centre and the states in general administration, financial administration and plan administration would require examination by this Team while legislative relationships need not be looked into. It was clarified in this meeting that reforms should be suggested without disturbing the basic constitutional fabric, although marginal constitutional changes could be recommended where considered administratively necessary. The decisions taken at this meeting provided the foundation for the subsequent work of the Team.

21.4 The first task was obviously to arrive at an understanding of the existing relationship in each of the three significant fields mentioned above. To arrive at this understanding a study of the present constitutional, organisational and procedural arrangements governing each of these aspects as well as of the historical background leading to the present situation was essential. This task of gathering facts and analysing them fell on the research staff of the Department of Administrative Reforms, who prepared a series of detailed papers bringing out and analysing the factual situation and making tentative recommendations. Factual information, where required, was collected from the ministries, in the main

informally although in many instances formal authentication, to the extent possible, was had later. The data contained in the report were collected during the course of the study lasting about a year and, represent, especially in the matter of statistics, the facts at the time of collection and not necessarily at the time of the submission of the report. The broad aspects of the situation remaining the same, no review of our conclusions before submission was called for.

21.5 A considerable amount of data was collected and analysed before final conclusions were drawn. In a task that is spread over such a broad field data-collection has to be selective, and yet sufficient to enable the formation of valid conclusions. The Team has tried to avoid the twin dangers of too much involvement with detail and dependence on too thin a spread of material and has attempted consistently to strike a balance between depth and breadth. Generally the approach has been to obtain all the essential data and as much of the rest as was relevant and could be collected in the time available. Not all the details considered could be packed into the report although in the appendices we have given as much as we thought was necessary to support our conclusions. More detail for reference would be available in the papers prepared in the Department of Administrative Reforms.

CONSULTA-
TIONS

21.6 To enable the Team to get the benefit of the advice of persons who had had actual experience of the different aspects of centre-state relationships, the papers prepared by the secretariat were placed before selected groups of officers drawn both from the centre and the states for informal discussion. The Team was thus able to tap a cross-section of administrative opinion.

21.7 In addition to consulting administrators in different fields the Study Team had discussions with eminent and knowledgeable persons to assess their views on certain aspects of centre-state relations. The names of the persons with whom the Team, or any members on behalf of it, discussed these subjects are in Appendix 41.

21.8 The field of study was such that it overlapped with that of some other study teams appointed by the Administra-

tive Reforms Commission. For instance, centre-state relationships in financial administration and in the sphere of planning and development fell also within the respective jurisdictions of the Study Teams on "Financial Administration" and "The Machinery of Planning". The first step in co-ordinating the activities of different study teams having overlapping areas of study was obviously to keep one another informed about the work done and the line of thinking evolved by each team. For this purpose copies of all the working papers prepared on centre-state relationships and the minutes of all meetings which considered these working papers were sent to the sister study teams interested in the subject. This measure was adopted to take account of divergent views before they were finally developed. Some of the meetings of the Study Team and of the selected groups were also attended by some members and officers of the other study teams concerned.

OVERLAP
WITH
OTHER
TEAMS

21.9 In all the Study Team had 8 meetings spread over 13 days while 18 meetings spread over 22 days took place with selected groups.

NEW DELHI.

Dated the 28th of September, 1967.

M. C. SETALVAD

Chairman

M. BHAKTAVATSALAM

Member

TARAKESHWARI SINHA

Member

P .C. MATHEW

Member

G. S. SHARMA

Member

N. K. MUKARJI

Member

&

Director of Studies





ADMINISTRATIVE REFORMS COMMISSION

REPORT OF THE STUDY TEAM
ON
CENTRE-STATE RELATIONSHIPS

PUBLIC DOCUMENT

VOLUME II

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BOOK V
★ Narankari
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TABLE OF CONTENTS

No.	Subject	Page	Corresponding Paragraph in Volume I
1	Tax revenues of the Central Government	1	2-37
2	Problems to be referred to an expert commission	2	2-40, 3-50 & 3-52
3	Debt position of states	4	3-8
4	Summary of capital budgets of states	5	3-9
5	Revenue surpluses and debt repayment obligations of centre and states	6	3-10
6	Repayment of borrowings by states as compared with their revenue receipts	7	3-10
7	Repayment of borrowings by centre as compared with its revenue receipts	8	3-10
8	Resources and outlays for the Third and the Fourth Plans ..	9	3-41
9	Central grants to states	10	4-9
10	A broad classification of non-plan, non-statutory grants ..	11	4-10
11	A. Grants for "central" purposes	12	4-14(A)
	B. Grants for schemes in regard to which the centre has undertaken a specific responsibility	20	4-14(B)
	C. Grants for schemes in which the centre and the states jointly participate	26	4-14(C)
12	A. Grants for "state" schemes that do not need central assistance	29	4-15(A)
	B. Grants to assist states to meet liabilities which have arisen after the Finance Commission's award	48	4-15(B)
	C. Grants to induce states to continue a plan scheme ..	51	4-15(C)
13	Grants to assist states to meet unforeseen or indeterminate liabilities	53	4-16
14	Grants paid on account of a commitment or an assurance ..	61	4-17
15	Railway safety works	64	4-18 & 4-19
16	Central Road Fund grants	66	4-20 & 4-21
17	Discussions on various important issues relating to the Third and Fourth Five Year Plans in the meetings of the National Development Council	68	6-8
18	Case study on the meetings of the National Development Council held from 1960 to 1966	75	6-10
19	An analysis of assisted and unassisted schemes in the Third Five Year Plan of Punjab under the sub-head "Education"	76	7-6

TABLE OF CONTENTS

No.	Subject	Page	Corresponding Paragraph in Volume I
20	An analysis of assisted and unassisted schemes in the Third Five Year Plan of Madras under the sub-head "Agriculture" ..	77	7.6
21	Case study of a centrally assisted scheme : Liberalisation of pattern of assistance for pump sets	79	7.7 & 7.9
22	Case study of a state plan scheme : Setting up of agricultural colleges	83	7.7
23	Drill proposed in the matter of tying central grants to crucial programmes in the state sector	87	7.14
24	Comparative allocation of central assistance for centrally sponsored schemes in certain sectors	89	8.7
25	Case study of a centrally sponsored scheme—agricultural universities (Part I)	90	8.13
26	Case study of a centrally sponsored scheme—agricultural universities (Part II)	93	8.13
27	Reorganisation of livestock farm, Hissar—a centrally sponsored scheme	97	8.13
28	State-wise and sector-wise distribution of centre's share in centrally sponsored schemes in 1966-67	104	8.14
29	Schemes requiring Central scrutiny	105	9.21
30	Statement showing staff and funds needed for the evaluation directorate in the states	109	10.5
31	Recount—Canadian practice	110	15.16
32	Extracts from correspondence pertaining to the policy regarding the settlement of inter-state water disputes ..	116	16.3 & 16.11
33	Inter-state water disputes settled	126	16.7
34	Inter-state water disputes yet to be settled	129	16.7
35	Extracts from Sardar Patel's speeches at the Premiers' conference, 1946	135	17.5
36	Quantitative and qualitative analysis of candidates taking the I.A.S. etc. examination	139	17.19
37	Table showing the division-wise and subject-wise break up of the Emergency Commission/Short Service Commission Officers appearing in the I.A.S. etc. examination, 1966	142	17.38
38	Utilisation of central deputation quota	143	17.50
39	Statement giving some conferencing data	144	19.9 (4)
40	Items included in the agenda for a few selected meetings of Chief Ministers and State Ministers	145	19.13
41	Names of persons consulted by the Study Team	152	20.7

TAX REVENUES OF THE CENTRAL GOVERNMENT

Appendix 1
(See paragraph 2.37)

Head of revenue	First Plan		Second Plan		Third Plan		1966-67 (R.E.)		1967-68 (B.E.)	
	(Amount (Rs. Crores)	%	(Amount (Rs. Crores)	%	(Amount (Rs. Crores)	%	(Amount (Rs. Crores)	%	(Amount (Rs. Crores)	%
1	2		3		4		5		6	
1. Taxes on income	664.07	28.6	803.68	21.9	1148.30	14.6	280.00	12.2	290.00	11.5
States' share	(278.24)	(12.0)	(374.67)	(10.2)	(555.52)	(7.1)	(137.10)	(6.0)	(131.58)	(5.2)
2. Corporation tax	201.12	8.7	379.25	10.4	1271.44	16.2	345.00	15.0	350.00	13.8
3. Expenditure tax .. .. .	..	..	2.34	..	2.02	..	0.11	..	0.09	..
4. Estate duty	2.62	0.1	13.12	0.4	24.91	0.3	6.75	0.3	7.25	0.3
States' share	(2.43)	(0.1)	(12.86)	(0.4)	(25.55)	(0.3)	(4.54)	(0.2)	(6.94)	(0.3)
5. Tax on wealth .. .. .	..	..	36.97	1.0	50.55	0.6	12.25	0.5	12.50	0.5
6. Gift tax .. .. .	..	..	2.68	0.1	7.59	0.1	1.85	..	1.50	..
7. Customs	915.71	39.5	817.65	22.3	1729.43	22.0	596.00	25.9	643.08	25.4
8. Union excise duties	517.26	22.3	1553.99	42.4	3517.15	44.8	1030.21	44.8	1194.51	47.2
1 Out of which—										
Basic excise	571.26	22.3	1473.34	40.2	3116.56	39.7	926.43	40.3	1007.95	39.8
Additional excise .. .. .	..	..	80.65	2.2	218.24	2.8	48.42	2.1	50.56	2.0
Special excise .. .. .	..	..	..	..	176.41	2.2	54.01	2.4	57.37	2.3
Regulatory excise .. .. .	..	..	..	..	5.94	0.1	1.35	..	..	..
Effect of budget proposals, 1967-68	..	..	..	..	..	..	..	..	78.63	3.1
States' share	(64.06)	(2.8)	(281.23)	(7.7)	(614.81)	(7.8)	(230.91)	(10.0)	(231.57)	(9.1)
9. Tax on railway passenger fares (net of states' share) .. .. .	..	..	2.46	0.1	102.60	1.4	28.99	1.3	32.00	1.3
10. Other taxes and duties	17.52	0.8	51.35	1.4	102.60	1.4	28.99	1.3	32.00	1.3
Total (including states' share)	2318.30	100.0	3663.49	100.0	7853.99	100.0	2301.16	100.0	2530.93	100.0

Appendix 4
(See paragraph 3.9)

SUMMARY OF CAPITAL BUDGETS OF THE STATES

(In crores of rupees)

	First Plan	Second Plan	Third Plan	1966-67		First Plan	Second Plan	Third Plan	1966-67
1. Permanent debt ..	158	337	449	93	1. Development expenditure ..	699	1,260	1,812	400
2. Floating debt (Net) ..	16	29	17	-19	2. Non-development expenditure ..	-28	81	152	28
3. Loans from centre ..	770	1417	3,091	627	3. Loans & advances by states ..	292	610	1,577	370
4. Loans and advances repaid to states ..	123	232	387	124	4. (a) Discharge of permanent debt ..	30	50	123	13
5. Other loans, unfunded debt, deposits etc. ..	48	227	685	184	(b) Repayment of central loans ..	72	365	1,013	232
					(c) Repayment of other loans ..	..	6	45	32
Total Capital receipts ..	1,115	2,242	4,629	1,009	Total capital disbursements ..	1,065	2,372	4,722	1,075
					Surplus (+) or deficit (-) on capital account ..	+50	-130	-93	-66
					Add surplus (+) or deficit (-) on revenue account ..	-61	+107	+21	+26
					Miscellaneous (Remittances) ..	-5	-40	-94	+5
					Overall Surplus (+) or Deficit (-) ..	-16	-63	-166	-35

PROBLEMS TO BE REFERRED TO AN EXPERT COMMISSION*A—Taxation and tax distribution*

1. The commission may examine the need for
 - (a) prescribing percentages of shares of the Union and the states in respect of income tax and Union duties of excise;
 - (b) prescribing general principles and criteria for the distribution among the states of their shares of the central levies mentioned in Articles 269, 270 and 272 of the Constitution, listing the factors that should be taken into account in applying these principles and criteria and laying down the weightage to be given to each factor;
 - (c) widening the base of devolution by making one or more central taxes (in addition to the taxes referred to above) shareable between the centre and the states, and in particular assigning a share to the states of the net proceeds of income-tax paid by companies (now classified as corporation tax) as also of the net proceeds of a surcharge on income-tax levied for a period of more than three years;
 - (d) further exploiting the taxes mentioned in Article 269 of the Constitution.

2. The commission may investigate the effect of the combined incidence of each state's sales tax and Union duties of excise on the production, consumption or export of commodities or products, and the adjustments to be made in the state's share of Union excise duties if there is any increase in the state's sales tax on such commodities or products over a limit to be specified by the commission.

3. The commission may make recommendations on the possibility of extending the scheme of replacement of sales tax by additional duties of excise to other commodities particularly the following: —

- (i) paper;
- (ii) rubber goods;
- (iii) glass and glassware;
- (iv) steel products;
- (v) mineral oils.

The commission may also examine the likely impact of such substitutions on the revenues of the affected states.

4. The commission may make recommendations on all or any of the matters listed above.

B—*Outstanding central loans to states and creation of sinking funds by states for the amortisation of debt*

1. The commission may make a comprehensive survey of the investments made by each state with the help of central loans and, on this basis, determine what portion of outstanding central loans can be treated as utilised for (a) re-lending purposes (b) financially productive schemes and (c) non-productive purposes.

2. The commission may draw up a repayment programme for the portion of the outstanding central loans treated as utilised for re-lending purposes.

3. The commission may likewise draw up a repayment programme for the portion of the outstanding central loans utilised for financially productive schemes. Alternatively, it may consider the conversion of such portion into interest-bearing non-repayable loans.

4. For the portion of the outstanding central loans which have been utilised for non-productive purposes, the commission may evolve a scheme for its liquidation and suggest an equitable apportionment of the burden of liquidation between the centre and the states.

5. The commission may examine the advisability and feasibility of creating sinking funds for loans, including market loans.

6. The commission may estimate the impact of the above measures on the resources of the centre and the states.

Appendix 3
(See paragraph 3.8)

DEBT POSITION OF STATES

(In crores of rupees)

	End March							
	1952	1956	1961	1962	1963	1964	1965	1966 (R.E.)
1. Public	149	273	535	620	678	690	792	870
2. Centre	239	876	2,016	2,314	2,677	3,112	3,559	4,094
3. Other sources ..	..	..	52	64	77	97	117	187
4. Unfunded debt ..	57	83	135	150	163	183	203	231
Total debt ..	445	1,232	2,738	3,148	3,595	4,082	4,671	5,382

Appendix 4
(See paragraph 3.9)

SUMMARY OF CAPITAL BUDGETS OF THE STATES

(In crores of rupees)

	First Plan	Second Plan	Third Plan	1966-67		First Plan	Second Plan	Third Plan	1966-67
1. Permanent debt ..	158	337	440	93	1. Development expenditure ..	699	1,260	1,812	400
2. Floating debt (Net) ..	16	29	17	—19	2. Non-development expenditure ..	—28	81	162	28
3. Loans from centre ..	770	1417	3,091	627	3. Loans & advances by states ..	292	610	1,677	370
4. Loans and advances repaid to states ..	123	232	387	124	4. (a) Discharge of permanent debt ..	30	60	123	13
6. Other loans, unfunded debt, deposit seto. ..	48	227	685	184	(b) Repayment of central loans ..	72	366	1,013	232
					(c) Repayment of other loans ..	..	6	46	32
Total Capital receipts ..	1,116	2,242	4,629	1,000	Total capital disbursements ..	1,066	2,372	4,722	1,076
					Surplus (+) or deficit (→) on capital account ..	+50	—130	—93	—66
					Add surplus (+) or deficit (→) on revenue account ..	—61	+107	+21	+26
					Miscellaneous (Remittances) ..	—5	—40	—94	+5
					Overall Surplus (+) or Deficit (→) ..	—16	—63	—166	—35

Appendix 5
(See paragraph 3.10)

REVENUE SURPLUSES AND DEBT REPAYMENT OBLIGATIONS OF CENTRE AND STATES

(In crores of rupees)

		Revenue Surplus	Repayment of Permanent Debt	Revenue Surplus	Repayment of			Total Repay- ment
					Permanent Debt	Central Loan	Other Loan	
1961-62	..	125	204	—48	17	149	3	169
1962-63	..	113	229	23	21	163	6	190
1963-64	..	188	240	78	44	188	6	238
1964-65	..	274	274	50	30	229	11	270
1965-66	..	320	254	—82	12	284	20	316
1966-67 (RE)		174	354	(RE) 26	13	232	32	277
1967-68 (BE)		314	454	(BE)				

Appendix 6
(See paragraph 3.10)

**REPAYMENT OF BORROWINGS BY STATES AS COMPARED
WITH THEIR REVENUE RECEIPTS**

(In crores of rupees)

				First Plan	Second Plan	Third Plan	Fourth Plan
				1951-56	1956-61	1961-66	1966-67
(A)	Total revenue receipts .. ..	..	..	2,335	4,041	7,314	2,097
(B)	Discharge of permanent debt .. ..	..	..	30	50	123	13
	Percentage of (A) .. ..	..	..	1.3	1.2	1.7	0.7
(C)	Repayment of loans to the centre ..	..	..	72	365	1,013	232
	Percentage of (A) .. ..	..	..	3.1	9.0	13.8	11.1
(D)	Repayment of other loans .. ..	..	..	..	6	45	32
	Percentage of (A) .. ..	..	..	..	0.1	0.6	1.5
(E)	Total debt repayment .. ..	..	..	102	421	1,181	277
	Percentage of (A) .. ..	..	..	4.4	10.3	16.1	13.3

Appendix 7
(See paragraph 3.10)

**REPAYMENT OF BORROWINGS BY CENTRE AS COMPARED
WITH ITS REVENUE RECEIPTS**

(In crores of rupees)						
		First Plan	Second Plan	Third Plan	Fourth Plan	
		1951-56	1956-61	1961-66	1966-67	1967-68
(A) Total revenue receipts	..	2,677	4,451	13,359	3,715	4,067
(B) Discharge of debts raised in India						
Permanent debt	.. ..	313	383	860	186	259
Percentage of (A)	.. ..	11.70	8.60	6.44	5.01	6.37
(C) Discharge of debt raised outside India—Permanent and other debt						
		17	43	341	168	195
Percentage of (A)	.. ..	0.64	0.97	2.55	4.52	4.79
(D) Total debt repayment	..	330	426	1,201	354	454
Percentage of (A)	.. ..	12.34	9.57	8.99	9.53	11.16

Appendix 8
(See paragraph 3.41)

RESOURCES AND OUTLAYS FOR THE THIRD AND THE FOURTH PLANS

(In crores of rupees)

	Resources			Plan outlays			Central assis- tance to states (Col. 5 —Col. 2)	Esti- mated total re- pay- ment of plan and non-plan loan
	Centre	States	Total	Centre	States	Total		
	1	2	3	4	5	6	7	8
Third Plan (Original estimates) ..	6,038	1,462	7,500	3,775	3,725	7,500	2,263	N.A.
% ..	(80)	(20)	(100)	(50)	(50)	(100)	(30)	
Third Plan (latest estimates) ..	6,970	1,660	8,630	4,475	4,155	8,630	2,495	860
% ..	(81)	(19)	(100)	(52)	(48)	(100)	(29)	
Fourth Plan (Draft Outline) ..	12,530	3,420	16,000	8,927	7,073	16,000	3,653	1,580
% ..	(79)	(21)	(100)	(56)	(44)	(100)	(23)	

Appendix 9

(See paragraph 4.9)

CENTRAL GRANTS TO STATES

(In crores of rupees)

			Third Plan			Fourth Plan		
			Statutory	Non-Statutory	Total	Statutory	Non-Statutory (First Year 1966-67)	Total
Plan Grants	..	..	31	696	727	11	182	193
(% of total grant)	..		(3)	(53)	(56)	(3)	(45)	(48)
Non-Plan Grants	..		300	217+*63= 280	580	141	50+*16= 66	207
(% of total grant)	..		(23)	(16+5= 21)	(44)	(35)	(13+4= 17)	(52)
Total	..	..	331	976	1,307	152	248	400
(% of total grants)	..		(26)	(74)	(100)	(38)	(62)	(100)

*Grant in lieu of tax on railway passenger fares.

Appendix 10
(See paragraph 4.10)

**A BROAD CLASSIFICATION OF NON-PLAN
NON-STATUTORY GRANTS**

Description of grants	Amount	Percentage of total
	Rs. (Crores)	
I. Grants for schemes to be implemented under central control or supervision—		
Schemes relating to central purposes	18.5	28
Schemes for which centre has taken a specified responsibility ..	0.1	
Schemes in which centre and states jointly participate ..	0.3	1
II. Grants for "state" schemes—		
Schemes not needing central supervision or assistance	2.8	4
Schemes taken up after Finance Commission's award	0.9	1
Railway safety works	1.4	2
Central Road Fund grants	3.9	6
III. Grants for unforeseen or indeterminate liabilities	21.0	33
IV. Grants in pursuance of an assurance or agreement	16.3	25
Total of non-plan non-statutory grants ..	65.2	100

Appendix 11
[See paragraph 4.14(A)]

PART 'A'
GRANTS FOR "CENTRAL" PURPOSES

Scheme						Amount
						Rs.
1.	Maintenance of mental patients evacuated from Pakistan	..	..	..	..	2,20,800
2.	Payments to police force	..	..	..	..	7,19,07,500
3.	Construction of border roads	..	..	..	..	9,81,40,000
4.	Maintenance of border roads	..	..	..	..	1,47,10,000
5.	Rural housing research-cum-training-cum-extension centres	..	..	..	..	1,05,000
6.	Flying training schools run by state governments	..	..	..	..	2,90,000
Total						18,53,73,300

Appendix 11(A)(1)
[See paragraph 4.14(A)]

<i>Scheme</i>	Maintenance of Mental Patients Evacuated from Pakistan.
<i>Administrative Ministry</i>	Ministry of Health.
<i>Budget Provision for 1966-67</i>	B-5(3)(2)—Rs. 2,20,800

Details

In accordance with the decision reached at the Inter-Dominion Conference held in December, 1948, 450 non-Muslim mental patients were transferred from Pakistan to India in December, 1950. Under the partition arrangements the responsibility of looking after those patients who belonged to West Pakistan was that of the Government of Punjab, while the Government of India was responsible for the rest. The latter are being looked after in an asylum in Bihar and the present grant is to the Government of Bihar on account of the maintenance charges of these patients.

Recommendations

This is a fully central responsibility. Payments to the state governments should be treated as re-imbusement of expenditure incurred by it on behalf of the centre instead of as a grant.

Related Entries in Seventh Schedule

Union List—Item 14 : Entering into treaties and agreements with foreign countries and implementing of treaties, agreements and conventions with foreign countries.

Concurrent List—Item 27 : Relief and rehabilitation of persons displaced from their original place of residence by reason of the setting up of the Dominions of India and Pakistan.

Appendix 11(A)(2)
[See paragraph 4.14(A)]

<i>Scheme</i>	Payment to Police Force.
<i>Administrative Ministry</i>	Ministry of Home Affairs.
<i>Budget Provision for 1966-67</i>	B-1(1)(1)—Rs. 7,19,07,500

Purpose

This was to maintain police forces in the border districts adjoining Pakistan and Tibet. The states concerned executed agency functions on behalf of the centre and the grants are in re-imbursement of the expenditure incurred by them.

With the taking over of the border security forces by the centre, the payment of grants to states is expected to cease from 1967-68.

Recommendations

This was an agency function and the payments to the states should have been classified as direct expenditure of the centre and not as grants.

Related Provision of the Constitution

Article 355 : It shall be the duty of the Union to protect every State against external aggression and internal disturbance

- (1) **Construction of Border Roads.**
- (2) **Maintenance of Border Roads.**

Ministry of Transport and Shipping.

(1) A-4(1)—Rs. 9,81,40,000
(2) B-15(2)—Rs. 1,47,10,000

Improvement of border road communication for defence purposes.

Both the above schemes are administered by the Border Road Development Board. The expenditure on the first scheme is met from capital account and that on the second from revenue account. The schemes are executed by state public works departments and the expenditure is reimbursed by the Central Government in the form of grants-in-aid.

Security of the border is a union function. Also, the centre can give directions to a state as to the construction or maintenance of any means of communication of national or military importance and the extra costs incurred by the state on this account have to be paid by the centre. The payments to states for the construction and maintenance of border roads are more in the nature of re-imbursement of expenditure incurred by them on behalf of the centre rather than grant.

Article 257 :

(1) **x** **x** **x** **x** **x**

(2) The executive power of the Union shall also extend to the giving of directions to a State as to the construction and maintenance of means of communication declared in the direction to be of national or military importance:

Provided		X	X	X	X
(3)	X	X	X	X	X

(4) Where in carrying out any direction given to a State under clause (2) as to the construction or maintenance of any means of communication or under clause (3) as to the measures to be taken for the protection of any railway, costs have been incurred in excess of those which would have been incurred in the discharge of the normal duties of the State if such direction had not been given, there shall be paid by the Government of India to the State such sum as may be agreed, or in default of agreement, as may be determined by an arbitrator appointed by the Chief Justice of India, in respect of the extra costs so incurred by the State.

Article 355 : It shall be the duty of the Union to protect every State against external aggression and internal disturbance

Appendix 11(A)(5)

[See paragraph 4.14(A)]

<i>Scheme</i>	Rural Housing Research-cum- Training-cum-Extension Centres (Wings).
<i>Administrative Ministry</i>	Ministry of Works, Housing and Urban Development.
<i>Budget Provision for 1966-67</i>	B-13(6)—Rs. 1,05,000

Purposes

(i) To promote research on local building materials, construction techniques and designing of village houses;

(ii) to propagate the use of improved material and techniques; and

(iii) to train technical personnel employed on the “Village housing project scheme”.

Details

Research-cum-training-cum-extension centres on rural housing were set up in 1959 in different parts of the country, each centre designed to serve two or more regions. The centre in New Delhi is a wing of the School of Planning and Architecture, while the other centres are the wings of certain engineering colleges. Expenditure on running a wing upto a limit of Rs. 75,000 per year, as also expenditure on the construction of demonstration houses up to a limit of Rs. 30,000 per year is reimbursed to each institution by the National Buildings Organisation. One of these wings is located in the Bengal Engineering College, Sibpur. As this is a state government college the amount to be re-imbursed is paid to the Government of West Bengal as a grant.

There is a Central Advisory Committee responsible for co-ordinating and guiding the activities of the wings. This committee consists, *inter alia*, of the representatives of the Ministry of Works, Housing and Urban Development and the National Buildings Organisation. The day-to-day, work of each wing is supervised by a Regional Advisory Committee on which there is a representative of the National Buildings Organisation, state officials and some others.

Recommendations

The engineering institutions which run the centres merely carry out the purposes for which the National Buildings Organisation has been constituted (e.g. economy in building programmes, standardisation of materials, etc.). The Bengal Engineering College (and hence the Government of West Bengal) is merely an agency through which the National Buildings Organisation carries out its functions. The amount paid to the Government of West Bengal on this account should therefore be treated as re-imbursement of expenditure incurred on behalf of the centre rather than as a grant.

Related Entry in Seventh Schedule

Union List—Item 65 : Union agencies and institutions for—

(a)	x	x	x	x	x
(b)	the promotion of special studies or research; or				
(c)	x	x	x	x	x

Appendix 11(A)(6)

[See paragraph 4.14(A)]

*Scheme***Grants for Flying Training Schools run by State Governments.***Administrative Ministry*

Ministry of Tourism and Civil Aviation.

Budget Provision for 1966-67

B-16 Aviation—Rs. 2,90,000

Details

The above grant covers the financial assistance given to the flying clubs run by the Governments of Mysore and West Bengal. A flying club whether run by a state government or not is given a subsidy of Rs. 40,000 and a flying subvention depending upon the flying hours done during a year. The accounts of the clubs are open to test check by the Comptroller and Auditor General of India.

Recommendations

Under Entry 29 of the Union List, the provision for, and the regulation of, aeronautical education and training provided by states and other agencies is a union subject. The payments to states should therefore be treated as re-imbursement of expenditure incurred by them on behalf of the centre and not as grants.

Related Entry in Seventh Schedule

Union List—Item 29 : x x x x x x

provision for aeronautical education and training and regulation of such education and training provided by States and other agencies.

Appendix 11

[See paragraph 4.14(B)]

PART 'B'**GRANTS FOR SCHEMES IN REGARD TO WHICH THE CENTRE
HAS UNDERTAKEN A SPECIFIC RESPONSIBILITY**

Scheme	Amount
	Rs.
1. Inter-state exchange of cultural troupes	1,90,000
2. National prize competition for children's books in regional languages ..	20,000
3. Award of community prizes for increasing agricultural production ..	12,00,000
4. Scholarships for studies in public schools in India	19,000
Total ..	14,29,000

Appendix 11(B)(1)

[See paragraph 4.14(B)(i)]

<i>Scheme</i>	Inter-State Exchange of Cultural Troupes.
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<i>Administrative Ministry</i>	Ministry of Education.
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<i>Budget Provision for 1966-67</i>	B-4(3)(1)—Rs. 1,90,000
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Purpose

To create opportunities for people in different parts of India to get acquainted with one another's culture and thus to promote emotional and cultural integration.

Details

The troupe of a participating state gives performances in two other states. The grant covers the travelling expenses of a troupe beyond the point of assembly in its home state. Gate money is utilised by the receiving state to meet organisational expenses, conveyance charges, etc. as also the cost of board and lodging of the troupe members. The excess of actual expenditure over the gate-money is met by the centre. The centre gives a grant to cover pocket expenses of the members of the troupe and also meets two-thirds of the remuneration paid to artists subject to a ceiling.

Although the programme for inter-state performances was formerly being drawn up by the sending and receiving states, an all-India programme is now drawn up every year by the centre. Changes by mutual adjustment between the two states or with the approval of the Ministry of Education are possible.

A new scheme was started in 1963-64 for the entertainment of armed forces in the forward areas by sending troupes consisting of singers, musicians, dancers, magicians, drama troupes etc. The entire expenditure, excluding that on travel within the home state upto the point of assembly is met by the centre. The Ministry of Education bears the expenditure for the journey from the place of assembly to the place where the Ministry of Defence takes charge and back to the place of assembly, while the Ministry of Defence bears the rest of the expenditure on boarding, lodging and transport.

Recommendations

Please see paragraph 4.14 (B)(i).

Related Entry in Seventh Schedule

State List—Item 33 : Theatres and dramatic performances; cinemas subject to the provisions of entry 60 of List I; sports, entertainments and amusements.

Appendix 11(B)(2)

[See paragraph 4.14(B)(ii)].

*Scheme***National Prize Competition for Children's Books in Regional Languages.***Administrative Ministry*

Ministry of Education.

Budget Provision for 1966-67

B-4(3)(1)—Rs. 20,000

Purpose

To encourage the production of good books for children.

Details

The competition is being held every year since 1954-55. Entries in respect of books in Hindi, Sindhi and Urdu are submitted to the Ministry of Education; in the case of other regional languages the entries are submitted to the respective state education departments. The entries are evaluated in the manner laid down by the Ministry of Education and the prizes are announced by that ministry in consultation with the Children's Literature Committee. The grant covers (i) a prize of Rs. 1,000 for each book selected (ii) cost of copies of prize-winning books purchased for distribution to school libraries and children's centres and (iii) honoraria to reviewers.

*Recommendations***Please see paragraph 4.14(B)(ii).***Related Entry in Seventh Schedule*

State List—Item 11 : Education including universities, subject to the provisions of entries 63, 64, 65 and 66 of List I and entry 25 of List III.

Appendix 11(B)(3)

[See paragraph 4.14(B)(iii)]

*Scheme***Award of Community Prizes
for Increasing Agricultural
Production.***Administrative Ministry*

Department of Agriculture.

Budget Provision for 1966-67

B-7(1)(2)—Rs. 12,00,000

Details

The scheme was started in 1958-59 as a central plan scheme. A state or district which achieves an increase in the production of foodgrains by 15% or more in a crop season over an average of the previous three years is given a community award of Rs. 50,000 and Rs. 10,000 respectively. The award money is to be utilised on activities which promote agricultural production.

*Recommendations***Please see paragraph 4.14(B)(iii).***Related Entry in Seventh Schedule*

State List—Item 14 : Agriculture, including agricultural education and research, protection against pests and prevention of plant diseases.

Appendix 11(B)(4)

[See paragraph 4.14(B)(iv)].

*Scheme***Scholarships for Studies in
Public Schools in India.***Administrative Ministry*

Ministry of Education.

Budget Provision for 1966-67

B-4(2)(1)—Rs. 19,000

Purpose & Details

The object of this scheme is to make available the benefits of a public school education to deserving children from the less affluent sections of society. Preliminary selection of children is made by the state governments and the final selection by the Ministry of Education which then allots the students to the various residential public schools. There is no fixed quota for each state and selection is on the basis of performance in the tests and interviews.

The expenditure incurred by state governments on conducting the tests and payment of travelling allowance to candidates is reimbursed to them by the centre in the shape of grants. The scholarships are remitted by the Ministry of Education to the public schools direct and are booked as expenditure of that ministry.

*Recommendations***Please see paragraph 4.14(B)(iv).***Related Entry in Seventh Schedule*

State List—Item 11 : Education including universities, subject to the provisions of entries 63, 64, 65 and 66 of List I and entry 25 of List III.

Appendix 11

[See paragraph 4.14(C)]

PART 'C'**GRANTS FOR SCHEMES IN WHICH THE CENTRE AND THE STATES JOINTLY PARTICIPATE**

Scheme						Amount
						Rs.
1. Small savings scheme	..	..	..	..	..	15,00,000
2. National sample survey scheme	..	..	..	..	..	17,50,000
Total					..	32,50,000

Appendix 11(C)(1)
[See paragraph 4.14(C)]

<i>Scheme</i>	Small Savings Scheme.
<i>Administrative Ministry</i>	Ministry of Finance.
<i>Budget Provision for 1966-67</i>	B-2(1)—Rs. 15,00,000

Purpose

Publicity to small savings schemes.

Details

There are agencies for popularising the small savings schemes at the central and state levels. The Central Government meets 50% of the expenditure on the staff employed by the states with the centre's approval, for giving publicity to the small savings schemes. The state governments are also eligible to loans up to two-thirds of the collection in the respective states for their developmental schemes.

Recommendations

This is a scheme in which both the centre and the states are interested. The centre's share of the expenditure should therefore be treated as re-imbursement of the expenditure incurred by the states on its behalf rather than as a grant.

Related Entries in Seventh Schedule

Union List—Item 35 : Public debt of the Union.

State List—Item 43 : Public debt of the State.

Appendix 11(C)(2)
[See paragraph 4.14(C)]

<i>Scheme</i>	National Sample Survey Scheme.
<i>Administrative Ministry</i>	Cabinet Secretariat (Deptt. of Statistics).
<i>Budget Provision for 1966-67</i>	B-13(1)—Rs. 17,50,000
<i>Details</i>	

The National Sample Survey Organisation and state statistical agencies participate in a joint programme of work the expenditure on which is equally shared between the centre and the states. Details of the staff to be employed by the states are laid down by the centre. The states can utilise this staff for work outside the joint programme at their own cost. The results based on the data collected for the joint programme can be utilised by the states but cannot be made available to the public without the previous consent of the centre. An arrangement of this type aims at ensuring uniformity in the concept, definition and standards employed in the collection and processing of statistical data.

Recommendations

The centre employs state statistical agencies for the collection of statistical data required by the National Sample Survey and shares only such expenditure as has been incurred for the purpose of the joint programme. State governments perform agency functions in collecting and processing statistical data for the National Sample Survey. Consequently the central share of cost of the joint programme should be treated as an outright expenditure of the Department of Statistics and not as grant.

Related Entries in Seventh Schedule

Union List—Item 94 : Inquiries, surveys and statistics for the purpose of any of the matters in this List.

Concurrent List—Item 45 : Inquiries and statistics for the purposes of any of the matters specified in List II or List III.

Appendix 12

[See paragraph 4.15(A)]

PART 'A'

GRANTS FOR "STATE" SCHEMES THAT DO NOT NEED CENTRAL ASSISTANCE

Scheme	Amount
<i>State Subjects—</i>	Rs.
1. Indo-Norwegian health projects in Kerala	1,00,000
2. Social education organisations	1,18,000
3. Encouragement to professional theatres	20,000
4. Training of non-official members of block development committees ..	10,000
5. Preservation of sites and memorials not protected by Archaeological Survey of India	1,50,000
6. Orientation Training Centre, Poonamallee	50,000
7. Allowances to persons distinguished in letters, arts etc.	3,00,000
8. Scholarships and other educational facilities to children of political sufferers	8,00,000
9. Preparation of who's who of persons who took part in the struggle for freedom	5,000
<i>Concurrent subjects—</i>	
10. Archaeological excavation	36,000
11. Workers Social Education Institute, Indore	30,800
12. Scheme for training of craftsmen	1,70,00,000
13. Manpower and employment schemes	80,00,000
14. Aid to displaced students from West Pakistan	25,000
15. Aid to displaced students from East Pakistan	4,00,000
16. Reservation of beds for displaced T.B. patients from East Pakistan ..	4,00,000
17. Financial assistance to displaced T.B. patients and their dependents from East Pakistan	1,00,000
18. Destitute displaced persons	10,000
19. Other medical facilities for displaced patients	73,000
Total	2,76,27,800

Appendix 12(A)(1)
[See paragraph 4.15(A)]

*Scheme***Indo-Norwegian Health Projects
in Kerala.***Administrative Ministry*

Ministry of Health.

Budget Provisions for 1966-67

B-6(5)(2)—Rs. 1,00,000

Details

Under an agreement with the Government of Norway and the United Nations, a fisheries project was taken up in Kerala in 1952. The project was administered by the state government under the general supervision of the Government of India and in consultation with the World Health Organisation and the Government of Norway.

Under a supplementary agreement entered into in 1961, the project was expanded so as to include other states besides Kerala and it became the Government of India's responsibility to administer it. Its direct administration was taken over by the Government of India in 1963 and, since then, it has been executed as a central plan scheme.

Under the supplementary agreement entered into in 1963, that part of the fisheries project which dealt with health and sanitation facilities was expanded, integrated with public health schemes and handed over to the Government of Kerala. Until the supplementary agreement remained operative (viz., upto 31st March, 1966), the Government of India agreed to share with the state government 50 per cent of the expenditure on the health project. The reason given for granting 50 per cent assistance was that the Government of India, before it took over the fisheries project, had been financing it on a 50:50 basis. There does not appear to be anything on record to show why the scheme was not treated as a state plan scheme.

Recommendations

The project should have been included in the state plan so that the necessity of giving non-plan assistance would not have arisen.

Related Entry in Seventh Schedule

State List—Item 6 : Public health and sanitation; hospitals and dispensaries.

Appendix 12(A)(2)
[See paragraph 4.15(A)]

<i>Scheme</i>	Social Education Organisations.
<i>Administrative Ministry</i>	Department of Community Development.
<i>Budget Provision for 1966-67</i>	B-14(3)(1)—Rs. 1,18,000

Purpose

This is to meet the expenditure incurred by the Social Education Centres at Lucknow and Bhubaneswar. The centres are run by the Governments of Uttar Pradesh and Orissa to train social education organisers for work in community development areas. There are ten other centres of this type operating in other states, which are run by non-government organisations.

Recommendations

Community development is essentially a state subject and consequently the training of organisers for work in community development areas should be the responsibility of the state government. There is no justification for giving any special central grants for this purpose.

Related Entries in Seventh Schedule

State List—Item 5 : Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration.

State List—Item 11 : Education including universities, subject to the provisions of entries 63, 64, 65 and 66 of List I and entry 25 of List III.

Appendix 12(A)(3)

[See paragraph 4.15(A)]

<i>Scheme</i>	Encouragement to Professional Theatres.
<i>Administrative Ministry</i>	Ministry of Education.
<i>Budget Provision for 1966-67</i>	B-4(3)(1)—Rs. 20,000
<i>Details</i>	

One theatre group in each state is selected to give a prescribed number of performances each year. The excess of expenditure over income of the theatre group during a year is shared equally by the centre and the state.

Recommendations

Theatres and dramatic performances being a state subject there is no justification for giving grants-in-aid to state governments for encouragement of professional theatres in states.

Related Entry in Seventh Schedule

State List—Item 33 : Theatres and dramatic performances, cinemas subject to the provisions of entry 60 of List I; sports, entertainments and amusements.

Appendix 12(A)(4)
[See paragraph 4.15(A)]

*Scheme***Training of Non-official Members
of Block Development Committees.***Administrative Ministry*

Department of Community Development.

Budget Provision for 1966-67

B-14(3)(1)—Rs. 10,000

Details

This scheme was started in 1959-60 to train non-officials associated with the community development programmes at the block level. The training is imparted mostly through non-official agencies. The expenditure incurred by the states is re-imbursed by the centre subject to a ceiling of Rs. 50 per person trained.

Recommendations

Community development is a state subject and the training of non-officials should be the responsibility of the states. There is no justification for a non-plan grant, which may be discontinued.

Related Entry in Seventh Schedule

State List—Item 5 : Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration.

Appendix 12(A)(5)
[See paragraph 4.15(A)]

<i>Scheme</i>	Preservation of Sites and Memorials Not Protected by the Archaeological Survey of India.
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<i>Administrative Ministry</i>	Ministry of Education.
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<i>Budget Provision for 1966-67</i>	B-4(3)(1)—Rs. 1,50,000
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Purpose

To cover 50% of the expenditure incurred on the approved items of repairs of memorials or monuments which, though of historical, cultural, scientific or aesthetic importance, are not treated as of national importance under the Ancient Monuments and Archaeological Sites and Remains Act, 1958.

Recommendations

Ancient and historical monuments declared to be of national importance fall in the Union List, while those which have not been so declared fall in the State List. Maintenance of sites and memorials other than those declared to be of national importance is thus the responsibility of state governments. If this responsibility is not being properly discharged, the remedy would be for the Central Government to declare them as of national importance or, if this is not possible, to acquire them. The present grants would appear to encourage the states to disregard their obligations and may be discontinued.

Related Entry in Seventh Schedule

State List—Item 12 : Libraries, museums and other similar institutions controlled or financed by the State; ancient and historical monuments and records other than those declared by or under law made by Parliament to be of national importance.

Appendix 12(A)(6)
[See paragraph 4.15(A)]

<i>Scheme</i>	Orientation Training Centre, Poonamallee.
<i>Administrative Ministry</i>	Ministry of Health.
<i>Budget Provision for 1966-67</i>	B-6(1)—Rs. 50,000
<i>Purpose</i>	

To train personnel from primary health centres in rural health problems, rural environmental sanitation, preventive and social medicine and extension techniques to be used in the community development programme.

Details

The Orientation Training Centres at Najafgarh (near Delhi), Singur (near Calcutta), and Poonamallee (near Madras), were established in 1953-54 with Ford Foundation's assistance. The first two have been merged with the Rural Health Training Centre, Delhi, and the All-India Institute of Hygiene and Public Health, Calcutta, respectively, both Central Government institutions. In regard to the centre at Poonamallee the Central Government has agreed to bear 50 per cent of the expenditure subject to the condition that no fees would be charged by the Government of Madras (which runs the centre) in respect of trainees from other states.

To develop team approach, training is given to full teams, each team consisting of all the officials working at a particular primary health centre. Each state is served by a particular training centre and is allotted seats for not more than two complete teams. During the period of training a training centre pays a stipend of Rs. 75 per month to each trainee. The Ministry of Health and the Department of Community Development approve the annual programmes drawn up by training centres. The Director General of Health Services keeps a watch on the number of health personnel trained.

The number of persons trained at the Najafgarh and Singur Centres has shown a perceptible decrease since 1962, the reason being that many of the states have now their own training facilities. The centre at Poonamallee, however, is continuing to receive a fairly steady number of trainees from the states served by it.

Recommendations

The importance of training public health personnel in preventive and social medicine would now have been realised by the state governments, and the main objective of the Government of India in introducing and financing this scheme achieved. As "Public health and sanitation" is a state subject it would be appropriate for the state governments themselves to finance such orientation training centres on their own.

Related Entry in Seventh Schedule

State List—Item 6 : Public health and sanitation; hospitals and dispensaries.

Appendix 12(A)(7)

[See paragraph 4.15(A)]

<i>Scheme</i>	Allowances to Persons Distinguished in Letters, Arts etc.
<i>Administrative Ministry</i>	Ministry of Education.
<i>Budget Provision for 1966-67</i>	B-18(7)(8)—Rs. 3,00,000

Purpose

To give financial assistance in lump sum or as a monthly allowance upto Rs. 150 per month to (i) persons in indigent circumstances who have made valuable contribution to arts and letters (ii) dependents of distinguished writers and artists who leave their families unprovided.

Details

Since 1961-62 the expenditure is being shared by the centre and the states in the proportion of 2:1. Formerly the entire expenditure was borne by the centre.

Applications, which may be addressed either to a state government or to the Government of India, are first examined by the concerned state and the type and quantum of assistance are then decided on the basis of the state's recommendations. In the case of disagreement, either government is free to pay a grant or allowance on its own.

Recommendations

Grant of financial assistance by the centre has perhaps acted as an inducement to the states to give assistance on a more liberal scale and to a larger number of eligible persons that the states might otherwise have been willing to give. It would however appear to be the duty of a state to encourage and promote the growth of the arts within its territory. As the amount of central assistance is not very large, it would be possible to persuade the states to bear the full expenditure on these allowances. This grant may be abolished.

Appendix 12(A)(8)

[See paragraph 4.15(A)]

*Scheme***Scholarships and Other Educational Facilities to Children of Political Sufferers.***Administrative Ministry*

Ministry of Education.

Budget Provision for 1966-67

B-4(3)(1)—Rs. 8,00,000

Purpose

Award of scholarships to the children of political sufferers who do not have adequate income.

Details

This scheme was framed on the basis of a resolution moved in Parliament in 1956. Previously educational facilities to the children of political sufferers were provided in all states except Andhra Pradesh, Bombay, Mysore, Orissa and West Bengal. The definition of “political sufferer” differed widely. The new scheme gives a more liberalised definition and provides for the following facilities for the children of such persons having a monthly income of not more than Rs. 300:—

- (a) special consideration in the matter of admission and award of freeship in recognised schools;
- (b) free seats in hostels attached to recognised schools and colleges; and
- (c) stipends and book grants to scholars.

Individual cases are examined by the Ministries of Education and Home Affairs. The centre meets 50 per cent of the expenditure incurred on this account by the states. The policy of the centre in this matter is that

- (a) the Central Government should not take direct responsibility for giving scholarships except to the children of political sufferers belonging to the union territories; and
- (b) the Central Government should give subsidies to the state governments to assist them in their schemes for grant of scholarships and other educational facilities to the children of political sufferers.

Recommendations

The responsibility for granting educational facilities to children of political sufferers is primarily that of the state to which the political sufferer belongs. As central assistance for this scheme is not very large it should be possible to persuade the states to bear the full expenditure on the scheme. It may also be pointed out that, as the financial liability involved is not unlimited, it can be estimated with reasonable accuracy and taken into account at the time of the five-yearly assessment of the non-plan needs of the states. The grants may be discontinued.

Appendix 12(A)(9)

[See paragraph 4.15(A)]

*Scheme***Preparation of Who's Who of Persons Who Took Part in the Struggle for Freedom.***Administrative Ministry*

Ministry of Education.

Budget Provision for 1966-67

B-4(3)(1)—Rs. 5,000

Purpose

To cover the Government of India's share of the cost of publication of "Who's who of persons who took part in the struggle for freedom".

Details

At the conference of Chief Ministers held in 1961, the centre promised to give financial assistance to states towards the cost of above publication. The central grant covers 1/3 of the expenditure incurred by states on the collection of material, preparation of manuscript, publication etc. In exceptional cases where documentation involved is very large, the centre's contribution can be raised up to 50 per cent or even more. Preparation of these publications is still under way. The total payment made to the states so far has ranged, from Rs. 1.140 (Madras) to Rs. 27.881 (West Bengal).

Recommendations

The centre, apart from determining the amounts of the grants on the basis of the actual expenditure incurred, exercises no supervision over the preparation of the above mentioned documents. Moreover the financial inducement to the states is comparatively negligible. A state which is interested in continuing the scheme may be expected to do so whether or not central assistance is forthcoming. The grants may therefore be abolished from the next plan period at the latest. The expenditure that the states are likely to incur on the scheme may be taken into account at the time of the next five-yearly assessment of the non-plan needs of the states.

Appendix 12(A)(10)

[See paragraph 4.15(A)]

<i>Scheme</i>	Archaeological Excavations.
<i>Administrative Ministry</i>	Ministry of Education.
<i>Budget Provision for 1966-67</i>	B-3(3)—Rs. 36,000

Purpose

To encourage archaeological excavations by state organisations.

Details

State Governments receive grants to the extent of 50 per cent of the expenditure incurred on excavation schemes approved by the Standing Committee of the Central Advisory Board of Archaeology.

Recommendations

Archaeological sites and remains of national importance come under the Union List while others are covered by the Concurrent List. Excavation at an archaeological site of national importance is prohibited except with the prior approval of the Director General of Archaeology. Excavation at other sites requires the permission of the Central Government. Subject to these restrictions, a state government is free to decide its programme of archaeological excavations. If the centre wishes to step up such excavation, it should expand the programme of the Archaeological Survey and, if necessary, employ a state organisation for this purpose. The state organisation would undertake such excavation as an agency function. While the centre is not precluded from persuading states to take up archaeological excavations, no grants to states for this purpose should be necessary.

Related Entries in Seventh Schedule

Union List—Item 67 : Ancient historical monuments and records and archaeological sites and remains, declared by or under law made by Parliament to be of national importance.

Concurrent List—Item 40 : Archaeological sites and remains other than those declared by or under law made by Parliament to be of national importance.

Appendix 12(A)(11)

[See paragraph 4.15(A)]

*Scheme***Workers Social Education
Institute, Indore.***Administrative Ministry*

Ministry of Education.

Budget Provision for 1966-67

B-4(3)(1)—Rs. 30,800

Purpose

This is a pilot project for social education in urban areas for industrial workers with facilities for such activities as forming educational groups, film exhibitions, study groups, elocution competitions etc.

Details

Jointly formulated by the Ministries of Education and Labour and Employment, the scheme is administered by a board with representatives of workers, employers, as well as of the Central and Madhya Pradesh Governments and other interested agencies. The institute is run by the state government, but the entire expenditure is borne by the centre as a grant.

The scheme was started as a centrally sponsored plan scheme but the Government of India continues to meet the entire non-plan expenditure of the institute presumably on the assumption that, being essentially a central scheme, the state government cannot be expected to meet any expenditure whether plan or non-plan.

Recommendations

Labour welfare being a concurrent subject, central assistance appears appropriate, more so in the case of pilot projects of this type. However, after such projects cease to have their pilot character the state benefited by the scheme should bear the non-plan expenditure. Such grants should consequently be discontinued and the state may seek the necessary funds at the time of the five-yearly assessment of non-plan needs.

Related Entry in Seventh Schedule

Concurrent List—Item 24 : Welfare of labour including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pensions and maternity benefits.

Appendix 12(A)(12)&(13)

[See paragraph 4.15(A)]

Schemes

- (1) Scheme for the Training of Craftsmen.**
- (2) Manpower and Employment Schemes.**

Administrative Ministry

Ministry of Labour, Employment and Rehabilitation.

Budget Provision for 1966-67

B-12(2)—Other grants

- (1) Schemes for Training of Craftsmen Rs. 1,70,00,000
- (2) Manpower and Employment Schemes Rs. 80,00,000

Purpose and Details

In 1945, the Government of India set up the Directorate General of Resettlement & Employment and a network of employment exchanges to facilitate the orderly absorption of service personnel and war workers in civil life. The D.G.R. & E. had also schemes for training of craftsmen. The states met two-fifths of the expenditure on these schemes. On the recommendations of the Shiva Rao Committee made in 1954, the day-to-day administration of these schemes was transferred to the states with effect from 1-11-1956. No change was made in the incidence of expenditure between the centre and the states. The centre continues to be responsible for laying down the national policy, standards, conduct of trade tests, award of certificates etc.

Till the beginning of the Fourth Plan, the centre's share of non-plan expenditure was computed at 60 per cent of the recurring expenditure on employment and craftsmen training schemes as at the beginning of a plan period. As the fourth Finance Commission, in its assessment of non-plan needs of states, took into account the committed expenditure relating to third plan schemes, the present grant covers the centre's share of the committed expenditure in respect of only first and second plan schemes.

Recommendations

Committed expenditure relating to all completed plan schemes should be taken into account at the next five-yearly assessment of non-plan needs and these grants discontinued. To enable the centre to discharge its responsibilities towards training services and especially in the maintenance of all-India standards suitable legislation may be passed by Parliament where necessary.

Related Entries in Seventh Schedule

Concurrent List—Item 23 : Social security and social insurance; employment and unemployment.

Concurrent List—Item 25 : Vocational and technical training of labour.

Appendix 12(A)(14&15)

[See paragraph 4.15(A)]

Schemes

- (1) **Aid to Displaced Students from West Pakistan.**
- (2) **Aid to Displaced Students from East Pakistan.**

Administrative Ministry

Ministry of Education.

Budget Provision for 1966-67

√B-4(3)(1)—

- (1) Aid to Displaced Students from West Pakistan—Rs. 25,000
- (2) Aid to Displaced Students from East Pakistan—Rs. 4,00,000

Details

State governments are paid the cost of stipends to, and the fees remitted in respect of, refugee students and trainees who, under a scheme drawn up by the centre, are being helped to pursue their studies. This assistance is now given only to those students who were in receipt of assistance during 1960-61. The amounts to be paid as grants to states on this account are therefore, progressively decreasing year after year. For later migrants from Pakistan, all rehabilitation assistance is given by the Department of Rehabilitation.

Recommendations

These grants are being given evidently on the ground that the fourth Finance Commission assumed that grants for rehabilitation of displaced persons would be continued by the centre. As there is, however, no uncertainty about the magnitude of expenditure on these schemes the expenditure should be included at the time the non-plan needs of the states are next assessed and the grants discontinued.

Related Entry in Seventh Schedule

Concurrent List—Item 27 : Relief and rehabilitation of persons displaced from their original place of residence by reason of the setting up of the Dominions of India and Pakistan.

Appendix 12(A)(16 to 19)

[See paragraph 4.15(A)]

Schemes and Budget Provision for (1) Reservation of Beds for Displaced TB Patients from East Pakistan.

1966-67

B-6(5)(2)—Rs. 4,00,000

(2) Financial Assistance to Displaced TB Patients and their Dependents from East Pakistan.

B-6(5)(2)—Rs. 1,00,000

(3) Destitute Displaced Persons.

B-6(5)(2)—Rs. 10,000

(4) Other Medical Facilities for Displaced Patients.

B-5(3)(2)—Rs. 73,000

Administrative Ministry

Ministry of Health.

Details

Scheme (1)—This represents the grants paid to the Governments of Assam, Bihar and West Bengal in re-imbursement of the charges for beds in T.B. hospitals reserved for displaced persons suffering from T.B.

Scheme (2)—This is in re-imbursement of the expenditure incurred by state governments on account of cash grants to displaced persons suffering from T.B. (including dependents of such persons).

Scheme (3)—This represents grants to states for meeting the cost of the beds reserved for T.B. patients from West Pakistan. The concerned states are Gujarat, Maharashtra, Punjab, Rajasthan and Uttar Pradesh. The centre has decided gradually to pass on to the states concerned the responsibility of maintaining these patients. As against 523 reserved beds in 1955, the centre paid for 201 beds in 1965-66.

Scheme (4)—This represents the grants paid to the Government of West Bengal in re-imbursement of the charges for the hospital beds in Calcutta reserved for displaced persons suffering from ailment other than T.B.

Recommendations

These grants are being given evidently on the grounds that the fourth Finance Commission assumed that grants for rehabilitation of displaced persons would be continued by the centre. As there is no uncertainty about the magnitude of expenditure on these schemes, the expenditure on these schemes could have been included in the fourth Finance Commission's assessment of non-plan expenditure of the states concerned. This may be done at the next such assessment and the grants discontinued from the next plan period.

Related Entry in Seventh Schedule

Concurrent List—Item 27 : Relief and rehabilitation of persons displaced from their original place of residence by reason of the setting up of the Dominions of India and Pakistan.

Appendix 12

[See paragraph 4.15(B)]

PART 'B'**GRANTS TO ASSIST STATES TO MEET LIABILITIES WHICH
HAVE ARISEN AFTER THE FINANCE COMMISSION'S AWARD**

Scheme						Amount
						Rs.
1. National fitness corps	..	..	..	..	..	87,00,000
2. Production of live oral polio vaccine at the Haffkine Institute, Bombay	..					1,46,000
Total						88,46,000

Appendix 12(B)(1)
[See paragraph 4.15(B)]

<i>Scheme</i>	National Fitness Corps.
<i>Administrative Ministry</i>	Ministry of Education.
<i>Budget Provision for 1966-67</i>	B-4(3)(1)—Rs. 87,00,000

Purpose

The National Fitness Corps is an integrated version of (i) the physical education programme, (ii) the national discipline scheme and (iii) the auxiliary cadet corps. So far this has been a central scheme. It is now proposed to decentralise the scheme and hand over its working to the states. The above grant is to enable the states to meet the connected expenditure. The proposal has still to be finalised.

Recommendations

If it is decided to decentralise the scheme the grant will be necessary and may have to continue until the next five-yearly assessment of the non-plan needs of states is carried out.

Related Entry in Seventh Schedule

State List—Item 11 : Education including universities, subject to the provisions of entries 63, 64, 65 and 66 of List I and entry 25 of List III.

Appendix 12(B)(2)
[See paragraph 4.15(B)]

<i>Scheme</i>	Production of Live Oral Polio Vaccine at the Haffkine Institute, Bombay.
<i>Administrative Ministry</i>	Ministry of Health.
<i>Budget Provision for 1966-67</i>	B-6(5)(2)—Rs. 1,46,000

Details

The Government of Maharashtra is to receive central assistance to the extent of Rs. 6.5 lakhs or 50 per cent of the non-recurring expenditure on building and equipments (excluding imported equipments), whichever is less. The grant is subject to the condition that the vaccine manufactured is made available on a "no profit" basis, to the centre for its programmes. Although this vaccine is also manufactured at the Pasteur Institute, Coonoor, it was considered advisable to have one more centre of production at Bombay.

Recommendations

Please see paragraph 4.15(B).

Related Entries in Seventh Schedule

Concurrent List—Item 19 : Drugs and poisons, subject to the provisions of entry 59 of List I with respect to opium.

Concurrent List—Item 29 : Prevention of the extension from one State to another of infectious or contagious diseases or pests affecting men, animals or plants.

State List—Item 6 : Public health and sanitation; hospitals and dispensaries.

PART 'C'**GRANTS TO INDUCE STATES TO CONTINUE A PLAN SCHEME**

<i>Scheme</i>	Employment Organisation for the Handicapped.
<i>Administrative Ministry</i>	Department of Social Welfare.
<i>Budget Provision for 1966-67</i>	B-4(3)(3)—Rs. 1,14,000
<i>Purpose</i>	

To give employment assistance to the physically handicapped.

Details

Till the end of the Third Plan this was a centrally sponsored scheme, but is now treated by the Department of Social Welfare as a central scheme in as much as both recurring and non-recurring non plan expenditure on these exchanges is being reimbursed in full to the states concerned. Only nine such exchanges have been opened so far, as many states did not agree to take up this scheme.

Every exchange has an Advisory Committee consisting of medical experts and others, including a representative of the Department of Social Welfare. The working of the scheme as a whole is supervised by a "National Advisory Council for the Education of the Handicapped" consisting of representatives of all the states with the Deputy Minister of the Department as chairman.

The idea of providing personalised (and hence time-consuming) employment services to the handicapped has still to take roots in the states. Such services are now limited to the blind, the deaf and the crippled. It is feared that, unless the centre provides full assistance, the states may close down the exchanges.

Recommendations

As "Employment and unemployment" is a concurrent subject, the states have a responsibility for providing employment facilities to the physically handicapped. Instead of the centre providing financial assistance for an indefinite period, it is suggested that suitable legislation could be passed enabling the centre to take up the scheme as a central scheme (which would be implemented by the states as agencies under

Article 258) or making it obligatory for the state to provide employment facilities to the handicapped in accordance with such guidelines as the centre may lay down. In the latter event, the expenditure on such facilities could be taken into account at the time of the five-yearly assessment of the non-plan needs of the states.

Related Entry in Seventh Schedule

Concurrent List—Item 23 : Social security and social insurance; employment and unemployment.

Appendix 13

[See paragraph 4.16]

**GRANTS TO ASSIST STATES TO MEET UNFORESEEN OR IN-
DETERMINATE LIABILITIES**

Scheme	Amount
	Rs.
1. Relief and rehabilitation of displaced persons	5,22,69,000
2. Relief to displaced goldsmiths and their families	24,00,000
3. Relief and other measures necessitated by hostilities	1,47,91,000
4. Assistance for natural calamities	12,00,00,000
5. Development of border areas	65,00,000
6. Assistance for transport and handling charges of rice and wheat in J. and K.	8,00,000
7. Homes/Infirmarys and outside doles	1,30,00,000
Total	20,97,60,000

Appendix 13(1)

[See paragraph 4.16]

Scheme**Relief and Rehabilitation of Displaced Persons.****Administrative Ministry****Department of Rehabilitation.****Budget Provision for 1966-67**

	Rs. (in lakhs)	Rs. (in lakhs)
(1) Relief—		386.90
(2) Rehabilitation—		
(i) Migrants from West Pakistan	0.65	135.79
(ii) Old migrants from E. Pakistan (i.e. those who came to India before 1-1-64)	41.93	
(iii) New migrants from E. Pakistan (i.e. those who came to India on or after 1-1-64)	93.41	
B. 18(6)—Total	..	522.69

Details

State governments can incur expenditure on relief schemes (such as expenditure on accommodation, food, clothing, doles, education in camps, medical and sanitation expenditure in camps etc.) according to scales laid down by the Department of Rehabilitation and can get re-imbursement from the centre. All relief expenditure and the cost of headquarters and other staff engaged for rehabilitation work are treated as non-plan.

Expenditure on rehabilitation schemes undertaken with the specific approval of the centre is reimbursed to the states by means of loans and grants. As regards classification of rehabilitation grants as plan or non-plan no clear criteria seem to have been adopted. For instance, development activities like construction of wells, tanks and roads in Panna district for resettlement of 600 families of new migrants from East Pakistan are treated as non-plan while some other development activities like dairy development and cattle breeding schemes in Betul and Hoshangabad districts in Madhya Pradesh for re-settlement of 80 families of new migrants from East Pakistan are treated as plan. During 1966-67, Rs. 159.36 lakhs have been allocated for rehabilitation plan grants.

The problem of rehabilitating displaced persons who migrated to India prior to 1-4-58 remains only in the case of West Bengal. As a result of the discussions between the centre and the Government of West Bengal the funds required for the settlement of these migrants have been tentatively assessed at Rs. 21.9 crores, of which Rs. 14.7 crores are plan loans and Rs. 7.2 crores plan grants to the state government. The question of resolving this problem once for all is engaging the attention of the Department of Rehabilitation.

Observations

As expenditure of this type cannot be accurately forecast, the fourth Finance Commission rightly assumed that the states would continue to receive these grants.

Related Entry in Seventh Schedule

Concurrent List—Item 27 : Relief and rehabilitation of persons displaced from their original place of residence by reason of the setting up of the Dominions of India and Pakistan.

Appendix 13(2)

[See paragraph 4.16]

<i>Scheme</i>	Relief to Displaced Goldsmiths and their Families.
<i>Administrative Ministry</i>	Ministry of Finance.
<i>Budget Provision for 1966-67</i>	B-18(10)—Rs. 24,00,000

Details

Following the introduction of gold control with effect from 10-1-1963, a comprehensive scheme of rehabilitation was drawn up for the different types of assistance to be given to displaced goldsmiths. The scheme is operated through the agency of state governments and union territory administrations. Central assistance for settlement in agriculture, education and technical training facilities is given as grants. The assistance given by states for settlement in industries and other productive occupations is covered by loans from the centre. The difference between the rate of interest charged by the centre and the rates at which loans are actually advanced to goldsmiths is subsidised. In addition, the centre bears 50% of the losses on account of non-recovery of loans. Further, expenses incurred by states up to 1½ per cent of the total of grants and loans are borne by the centre as cost of administration. The entire expenditure on relief and rehabilitation of goldsmiths is kept outside the central and state plans.

For schemes formulated within the framework already laid down by the centre, prior approval of the centre is not necessary. In other cases, the states obtain the centre's approval. States send monthly progress reports on the rehabilitation of goldsmiths.

Ex gratia payments are made in exceptional cases of distress among unemployed goldsmiths out of the specified amounts placed at the disposal of states every year. These payments are regulated by the rules governing disbursements from discretionary grants placed at the disposal of state ministers, subject to a maximum of Rs. 250 to a family.

Observations

There has been uncertainty about the magnitude of assistance on account of the various changes that have from time to time been made in the enforcement of gold control. For this reason, grants for the implementation of Gold Control Rules will have to continue until the extent of a state's liability can be forecast on a firm basis and provided for in the five-yearly assessment of non-plan needs.

Appendix 13(3)
[See paragraph 4.16]

<i>Scheme</i>	Relief and Other Measures Necessitated by Hostilities.
<i>Administrative Ministry</i>	Department of Rehabilitation.
<i>Budget Provision for 1966-67</i>	B-18(12)—Rs. 1,47,91,000
<i>Purpose and Details</i>	

A Directorate General of Resettlement was set up under the Cabinet Secretariat for the formulation and implementation of schemes of rehabilitation in such of the areas in Punjab, Rajasthan and Jammu and Kashmir as were affected by the conflict with Pakistan in 1965. After the bulk of the rehabilitation work was completed the organisation was abolished and the residuary work was transferred to the Department of Rehabilitation on 1-7-1966.

Observation

As the expenditure is of an unforeseen nature, the grant is justified.

Appendix 13(4)

[See paragraph 4.16]

<i>Scheme</i>	Assistance for Natural Calamities.
<i>Administrative Ministry</i>	Ministry of Finance.
<i>Budget Provision for 1966-67</i>	B-18(3)—Rs. 12,00,00,000

Purpose and Details

In 1950-51, the centre started assisting states in the matter of relief measures necessitated by natural calamities. A scheme of assistance was drawn up in 1955. To prevent states from including extraneous items under relief measures as also from unduly prolonging relief operations the scheme was revised in 1961. On-the-spot assessment by a central team of officers was introduced and gratuitous relief was allowed only till the commencement of the next major harvest. As the terms of assistance under the revised scheme were found to be somewhat rigorous, the scheme was further revised in September, 1966. Every Finance Commission (except the first) has been specifying the annual amount included in its expenditure estimates of each state for such relief measures.

The scheme in its present form specifies the various types of gratuitous relief and unproductive works that are eligible for central assistance. Expenditure, over and above the provision in the annual plan on schemes agreed to by the centre for irrigation, soil conservation etc., also qualifies for central assistance. A state government has to send a report to the centre as soon as it finds that the cost of relief measures is likely to exceed the margin fixed by the Finance Commission. After an on-the-spot assessment by a central team of officers the centre has to fix a ceiling on the total expenditure that it will share with the state. Subject to the ceiling the centre meets 75 per cent of the expenditure incurred in excess of the margin allowed by the Finance Commission, 50 per cent by way of grant and 25 per cent by way of loan. *Ad hoc* loans may also be given if the ways and means position of a state requires it.

Observations

The present scheme adequately provides for a realistic assessment of the needs of a state. Such grants are clearly justified.

Appendix 13(5&6)

[See paragraph 4.16]

Schemes

- (1) Development of Border Areas.**
- (2) Assistance for Transport and Handling Charges of Rice and Wheat in J&K.**

Administrative Ministry

Ministry of Home Affairs.

Budget Provision for 1966-67

- (1) B-18(5)—Rs. 65,00,000
- (2) B-18(7)(7)(3)—Rs. 8,00,000

Observations

These grants-in-aid are given in view of the special conditions obtaining in the border areas and the central assistance will have to continue.

Appendix 13(7)

[See paragraph 4.16]

<i>Scheme</i>	Homes/Infirmaries and Outside Doles.
<i>Administrative Ministry</i>	Department of Social Welfare.
<i>Budget Provision for 1966-67</i>	B-4(3)(3)—Rs. 1,30,00,000
<i>Details</i>	

The grant is given to state governments as 100 per cent re-imbursement of expenditure on the following purposes :

- (i) to look after such of the displaced persons as cannot be rehabilitated immediately. This assistance continues until a displaced person or a member of his family is in a position to earn a living;
- (ii) to give equipment grants to the above displaced persons for purchase of cycles, sewing machines etc;
- (iii) to provide assistance to displaced persons from East Pakistan during the period between their dispersal from “homes” and the time they start earning. For example, agricultural labourers are given assistance until their first harvest.

The homes/infirmaries mainly accommodate “old” migrants. Where spare capacity is available, “new” migrants have also been accommodated. Homes for “new” migrants alone are financed by the Department of Rehabilitation.

Observations

Rehabilitation of refugees is a responsibility that has had to be assumed by the centre and this responsibility is being discharged in collaboration with state governments. While the homes and infirmaries are best administered by the state governments, the centre has to ensure by occasional inspections that all instructions are followed. Moreover expenditure of this type cannot be accurately forecast and hence the fourth Finance Commission rightly assumed that the states would continue to receive these grants.

Related Entry in Seventh Schedule

Concurrent List—Item 27 : Relief and rehabilitation of persons displaced from their original place of residence by reason of the setting up of the Dominions of India and Pakistan.

Appendix 14

[See paragraph 4.17]

GRANTS PAID ON ACCOUNT OF A COMMITMENT OR ASSURANCE

Scheme	Amount
	Rs.
1. Grants in lieu of tax on railway passenger fares	16,25,00,000
2. Subsidy to Mysore Government	7,50,000
Total ..	16,32,50,000

Appendix 14(1)

[See paragraph 4.17]

<i>Scheme</i>	Grants in lieu of Tax on Railway Passenger Fares.
<i>Administrative Ministry</i>	Ministry of Railways.
<i>Budget Provision for 1966-67</i>	B-18(1)—Rs. 16.25,00,000
<i>Purpose</i>	

To compensate the states for the loss of their shares of passenger fare tax due to its merger with passenger fare.

Details

The proceeds of the tax imposed under the Railway Passenger Fares Act, 1957, were being distributed among states on the basis of the recommendations of the Finance Commission. When the Act was repealed in 1961 and the tax merged in the basic fares the Union Government decided to make an *ad hoc* grant to the states for a period of five years @ Rs. 12.50 crores per annum. From 1966-67 the grant has been increased to Rs. 16.25 crores per annum. The distribution of the grant among the states is in accordance with the recommendations of the Finance Commission.

Observation

Please see paragraph 4.17.

Related Provisions in the Constitution

Article 269(1) : The following duties and taxes shall be levied and collected by the Government of India but shall be assigned to the States in the manner provided in clause (2) namely:—

x x x x x

(d) taxes on railway fares and freights.

x x x x x

Union List—Item 89 : Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares and freights.

Appendix 14(2)

[See paragraph 4.17]

*Scheme***Subsidy to Mysore Government.***Administrative Ministry*

Ministry of Finance.

Budget Provision for 1966-67.

B-18(7)(7)(2)—Rs. 7,50,000

Purpose

To cover the tax on the consumption of electricity by the Kolar Gold Mining Undertaking which the Government of Mysore was unable to impose after the taking over of the undertaking by the centre in December, 1962.

Details

The fourth Finance Commission assumed that certain specified grants from the centre would continue but the above grant was not one of them. Hence, the grant will be discontinued from 1967-68.

Observation

Please see paragraph 4.17.

Appendix 15

[See paragraphs 4.18 & 4.19]

*Scheme***Railway Safety Works.***Administrative Ministry*

Ministry of Railways.

Budget Provision for 1966-67.

B-18(2)—Rs. 1,42,11,000

Details

Under the Indian Railways Act, 1890, the Railway Administration is liable to provide such accommodation works like a road over or under a bridge, level crossings etc. as may be found necessary to make good (a) interruptions to road communication caused by construction of new lines, and (b) any deficiency or insufficiency of such works arising within ten years of the opening of a railway line. Further, under the Railways Act, the Central Government can require the Railway Administration to carry out, at its own cost works necessary for the public safety. If such a safety work relates to a level crossing the Central Government can however require the local authority which maintains the road to pay the whole or part of the cost of the work. In practice, the Railway Board acting in its capacity of Central Government issues such directions after considering the recommendations of the Railway Inspectorate, an organisation under the Ministry of Tourism and Civil Aviation.

The Railway Administration has held that it cannot assume indefinitely the ever-increasing financial liability arising out of industrial development and the consequential increase in road traffic the benefits of which are also shared by road and state authorities. The cost of safety works at a level crossing should be borne by the state concerned, fully or partly according as the works have been necessitated by an increase in road traffic alone or in both rail and road traffic as the case may be. In the latter case, the state's share of the cost is worked out according to certain prescribed rules. But the Railway Administration has had to enter into protracted correspondence with states over such safety works, the delay being mainly due to the disinclination of states to shoulder the financial burden involved. The construction of safety works, particularly over and under bridges, was very slow. It was therefore decided to assist the states to meet their share of the cost of safety works.

On the recommendations of the Railway Convention Committee 1965, the Railways now pay an increased rate of dividend to the general revenues. A part of this increased dividend is passed on to

the states as payment in lieu of passenger fare tax and the balance is credited to a Railway Safety Works Fund. The amount credited to the Fund each year is allocated to the states in the same proportion as their shares of the payment in lieu of passenger fare tax. A state's share of the expenditure incurred on safety works will be reimbursed to it as a grant upto the limit of the amount standing to its credit in the Fund.

Recommendation

Please see paragraph 4.19.

Appendix 16

[See paragraphs 4.20 & 4.21]

<i>Scheme</i>	Central Road Fund Grants.
<i>Administrative Ministry</i>	Ministry of Transport and Shipping
<i>Budget Provision for 1966-67</i>	B-15(1)—Rs. 3,92,30,000
<i>Purpose</i>	Road Development.

Details

By a special resolution of the central legislature on the basis of the recommendations of the Indian Road Development Committee, the Central Road Fund was created in 1929 from the proceeds of certain extra duties of customs and excise on motor spirit. The Central Road Fund Resolution has been amended from time to time, the latest amendment being by Parliament in April, 1950.

A part of the Fund is treated as a Central (Ordinary) Reserve and is utilised for (a) defraying the cost of administering the Fund, (b) on schemes of research, intelligence and special inquiries and (c) on special grants to states for road schemes, particularly those which benefit more than one state. Special consideration is given to schemes which are designed to open up new country and thus benefit more than one state. The grants to states from this reserve are on a matching basis and ordinarily limited to 50 per cent of the total cost, the balance being provided by the state governments from their own resources including their allocations from the Fund. Technical approval and financial sanction is issued by the centre in the case of important schemes.

The remaining fund is allocated to states and union territories on the basis of the consumption of motor spirit and the realisation of tax on vehicles. The allocations made to states are utilised for road development schemes in the state plans [including the schemes financed partly from the Central (Ordinary) Reserve with the prior approval of the Government of India. The approval is for the programme as a whole for a particular state and not for the estimates of individual works.

The fund has also a Special Reserve as distinct from the Ordinary Reserve into which are credited contributions from sources outside the Road Fund for Financing particular road projects.

Recommendation

Please see paragraph 4.21.

Related Entries in Seventh Schedule

State List—Item 13 : Communications, that is to say, roads, bridges, ferries, and other means of communication not specified in List I;

Union List—Item 23 : Highways declared by or under law made by Parliament to be national highways.

Appendix 17

(See paragraph 6.8)

DISCUSSIONS ON VARIOUS IMPORTANT ISSUES RELATING TO THE THIRD AND FOURTH FIVE YEAR PLANS IN THE MEETINGS OF THE NATIONAL DEVELOPMENT COUNCIL**Third Five
Year Plan**

To help the Planning Commission arrive at the figure of the outlay and taxation for the Third Five Year Plan the following questions on the availability of resources were specifically placed before the National Development Council (NDC) so that, in accordance with line of action indicated by the Chief Ministers, the Commission could allocate tentatively the resources for various programmes included in the Third Five Year Plan:—

- “(i) what steps can be taken to increase resources available from the rural sector? Thus, how far can land revenue be stepped up, the increased resources being made available for local development? In this connection what additional obligations to finance programmes within their jurisdiction be placed on the local bodies in view of the larger resources made available to them?
- (ii) could the taxation of agricultural income be placed on a uniform basis with the taxation of income in general and the two forms of taxation aggregated and dealt with by the same agency?
- (iii) in what directions would it be advantageous to extend centrally levied excises in place of state taxation?
- (iv) what specific steps should be taken to see that the maximum returns feasible are secured from irrigation and power projects, road transport undertakings and other public utilities which are operated by government?
- (v) in the context of state trading and the setting up of co-operatives and panchayats, would it now be desirable to collect land revenue and irrigation rates in kind rather than in cash?
- (vi) should schemes of compulsory savings be introduced? If so, on what lines?”

Constructive comment came from the Finance Minister Madras (and substantially only from him among the representatives of the states). He stated that by transferring the responsibility to local authorities various items *e.g.*, elementary education, drinking water supplies and the like and by promising matching grants the community could be given an inducement to make efforts for meeting its own immediate needs. The financial burden on the state governments would be lightened somewhat (by passing it on, by implication, to the local bodies). Local bodies in such a procedure would be in a better psychological position to raise resources as instead of raising taxes from a community in a particular area and telling it that the benefits would accrue to it on account of overall national development, the community would generally be enabled to see clearly for itself the tangible resources which its own contribution was able to produce in its own locality. Land reforms and state trading in foodgrains could also be regarded as an avenue worth exploring in the matter of resources. Yet another way of raising resources from the rural sector would be the utilisation of idle manpower, *e.g.*, panchayats could be given powers to levy a labour tax of 10 to 15 days work taking the family as a unit. The kind of local development works to which this labour could be put had to be thought out in detail with reference to the situation prevailing in each state and within each state in different areas and regions. If for some reason the family was unable to contribute its tax in the form of labour it should be open to it to pay the tax in cash. The West Bengal Chief Minister agreed with various possible approaches mentioned by the Finance Minister, Madras in regard to their mobilisation.

2. The record does not contain much discussion thereafter on the precise and detailed issues posed to the Council in regard to the resources. It does however say that "the Council considered the question of mobilising larger resources within the rural sector and suggested that the following possibilities should be investigated by the Planning Commission and the States:—

- I. (i) the responsibilities for certain existing services may be transferred to local authorities with the requisite financial provisions, resources for further development being raised by the local authorities on a matching basis, as has been recently done in the Madras State;

- (ii) measures for (a) increase of land revenue, (b) progressive surcharges on land revenue and (c) levy of special cesses or surcharges on lands growing commercial crops;
 - (iii) extending schemes for insurance in rural areas, *e.g.*, life insurance, crop insurance, cattle insurance, etc.
- II. it was agreed in principle that it would be desirable to place agricultural income tax and the taxation of income in general on a uniform basis, income in these categories being aggregated. The details of the proposal should be worked out having regard to the existing system of land taxation, including payment of land revenue and other dues, and the provisions of the Constitution;
- III. it was suggested that the scope for enlarging the system of centrally-levied excises in place of sales taxes should be studied further;
- IV. it was agreed in principle that the maximum economic returns should be secured from irrigation and power projects, road transport undertakings and other enterprises which were operated by the Central or state governments and suitable proposals worked out;
- V. the Council considered whether land revenue and irrigation cesses should be collected in kind instead of in cash. The consensus of opinion was that the proposal would present many difficulties;
- VI. the Council accepted the desirability of extending the scope of provident funds, life insurance and other forms of savings, including examination of the directions in which the scheme could be made universal. In working out details, special attention should be given to the advantages which local areas and the individuals or groups contributing might derive from the schemes. The results of the studies should be placed before the National Development Council."

3. When the Memorandum on the Third Plan was submitted to the NDC in March 1960, there was no specific discussion on these questions which were posed at the earlier stage. However, the Finance Minister of Madras felt that the figure of Rs. 200 crores shown in the paper as resources which would be available from current revenues at the existing level of taxation was not a realistic figure. The Deputy Chairman said that a detailed discussion of the manner in which resources could be raised would take place separately at the official level. There was a general discussion (details not available) on betterment levies, surcharges on land revenue and provident fund at the end of which the Chairman stated that he took it that the proposals in the resources paper had been tentatively accepted by the Council.

4. At the time of the submission of the draft outline on the Third Plan to the NDC in September 1960 there was not much discussion on these questions. The Chief Minister, Rajasthan said that it was desirable that a uniform policy for the entire country should be evolved with regard to the betterment levy. He also pointed out that the question of replacement of sales tax by central excise on some of the commodities which were subject to sales tax in the states should be pursued since it would lead to increased revenue for the states. The Chief Minister, West Bengal said that it would not be possible for the states to make adjustments with reference to local conditions if the sales tax was replaced by the excise duties. The Chief Minister, Maharashtra pointed out that the replacement of sales tax by excise duty would amount to the states surrendering their inherent power with regard to taxation. Moreover, in the absence of figures relating to consumption it would not be possible to distribute proceeds of new excise duties on a scientific basis. No resolution was issued at the end of the meeting.

5. In the Draft Outline the estimate of resources for the public sector was indicated at Rs. 7,250 crores. Later, in the light of the discussions with the state governments, the round estimate of Rs. 7,500 crores was submitted to the NDC in January, 1961. The Finance Minister, Madras suggested the appointment of a small committee which would go into the problems of savings and make recommendations to the Council. This was accepted by the Council and the Committee was appointed.

6. The final draft of the Third Plan was placed before the NDC in May, 1961. There was a general discussion on the conclusions arrived at by the members of the Savings Committee. The Finance Minister, Madras said that it was possible to achieve a target of Rs. 8,000 crores required for the physical plan. These views were also shared by the Chief Minister of Uttar Pradesh. There was a general discussion on the target of resources—whether it should be Rs. 7,500 crores or Rs. 8,000 crores—but no itemised discussion ensued as to how it would be achieved.

Fourth Five
Year Plan

7. The papers submitted to the National Development Council by the Planning Commission in regard to the Fourth Five Year Plan, were also considered by the Council normally in a general manner. The NDC was presented as follows with twelve main points in the Memorandum submitted to it by the Planning Commission for consideration in its meeting held on October 27-28, 1964:—

- (1) views regarding basic objectives;
- (2) acceptance of certain policy measures for maintaining prices on an even keel;
- (3) views regarding size and range of investment and creation of conditions under which the upper range is realised;
- (4) reactions regarding sectoral priorities;
- (5) reactions regarding pattern of central assistance;
- (6) acceptance of responsibility for resources mobilisation;
- (7) views on harnessing local contribution for supporting a large scale programme of rural works geared to creating amenities and productive assets and thereby removing the backlog of unemployment;
- (8) determination to attain 5 per cent increase in agricultural production;
- (9) concerted campaign for family planning;
- (10) backward areas development to be interwoven into general programmes of development;

- (11) mobilisation of local resources for rural works and rural amenities programme; and
- (12) improvements in administration and plan implementation.

8. The Council did not examine these points *seriatim*. Much of the discussion was general. For example, while two Chief Ministers expressed general agreement with the size of the plan and two others preferred to leave it to the Prime Minister to decide, other Chief Ministers did not offer any comments on the total outlay of the plan. Ultimately, according to the summary record, the Council offered concrete suggestions on 6 of these 12 points, namely Nos. 1, 3 to 6 and 10. There were no conclusions on others.

9. Further, while the Chief Ministers of states agreed with the importance given to agriculture it was felt by them that as compared to the Third Plan the step up of outlays on power, major irrigation projects and transport was likely to prove insufficient. There was some doubt whether it would be possible for the states to provide for as large an increase in the allocation for social services as had been envisaged in the Memorandum. In the field of social services, it was suggested by the NDC that priority should be accorded to family planning, technical education and supply of drinking water, both in rural and in urban areas. These suggestions of the NDC were only partly incorporated by the Planning Commission in the subsequent document "Fourth Five Year Plan—Resources, Outlays and Programmes" submitted by the Planning Commission to the NDC. High priority was accorded to family planning, drinking water supply and technical education but the outlays for transport, major irrigation and power were not increased. Later on, in the Draft Outline, the allocations for industry, transport and power were enhanced as these sectors had large requirements of foreign exchange and as prices had gone up substantially in rupee terms on account of devaluation.

10. Similarly, while discussing the priorities given to various sectors in the Memorandum, one Chief Minister

observed that in the Fourth Plan the centre had reserved a much larger share in the sector coming within the domain of the state plans. The expansion of centrally sponsored schemes would, she thought, create difficulties for the state governments. The bases of classification of plan schemes as centrally sponsored, centrally aided and state plan schemes were accordingly examined by the Planning Commission in consultation with the central ministries and the state governments. A committee was appointed by the NDC for looking into the justification for the inclusion of major schemes proposed for the centrally sponsored sector. Schemes worth Rs. 386 crores were proposed to be transferred to the state sector and schemes worth Rs. 578 crores were proposed to be retained as centrally sponsored. While agreeing to the proposed transfer the Committee decided in its meeting held on 9-12-66 that the schemes which were proposed to be retained should be further discussed with the central ministries in the light of the suggestions made by the states' ministers with a view to transferring to the state sector some more schemes. It was also decided that this subject would not be brought up again before the Committee and that a final view (presumably on the remaining schemes worth Rs. 578 crores) would be taken by the Planning Commission. The list of centrally sponsored schemes finally communicated by the Planning Commission to the state governments, however, included some schemes which the Committee had decided to transfer to the state sector. The decision of the Committee of the NDC was thus not fully adhered to by the Planning Commission which gave different decisions after holding consultations with the Union ministries concerned.

Appendix 18

(See paragraph 6.10)

CASE STUDY ON THE MEETINGS OF THE NATIONAL DEVELOPMENT COUNCIL HELD FROM 1960 TO 1966

Date of the meeting	Subjects for discussion	Date of circulation of Working Paper(s)
19/20-3-60 (14th Meeting)	Memorandum on the Third Five Year Plan	7-3-60, 8-3-60 and 9-3-60
17-4-60 (15th Meeting)	Price Policy for the Third Plan Suggestions of state governments regarding price policy for the Third Plan	7-4-60 & 9-4-60
12/13-9-60 (16th Meeting)	Consideration of the Draft Outline of the Third Five Year Plan Determination of outlays for states for the Third Five Year Plan	
13/14-1-61 (17th Meeting)	Outlay in the Third Five Year Plan—centre and states .. Allocations, targets and priorities in the plans of states—a provisional appraisal Agricultural production in the Third Plan Employment aspects of the Third Plan Background note on financial resources of the states for Third Plan Cooperation Department's note on cooperative development during the Third Plan	31-12-60 2-1-61 7-1-61 6-1-61 6-1-61 8-1-61.
31-5-61 and 1-6-61 (18th Meeting)	Draft Report on Third Five Year Plan (Chapters I to XXXIII) Note on ways and means position of state governments (Prepared by the Ministry of Finance, Department of Economic Affairs)	17, 18, 19, 20, 21, 25, 26, 27, 28 & 30-5-61. 30-5-61
4/5-11-62 (19th Meeting)	Reorientation of development in the states in view of the emergency Proposals relating to prices of essential commodities Paper on setting up of a Central War Manpower Board (for information) Peoples' participation in the national effort	1-11-62 1-11-62 3-11-62 3-11-62
8/9-11-63 (20th Meeting)	The Third Plan—Mid-term Appraisal Progress of land reforms Arrangements for the preparation of the Fourth Plan	23-10-63 23-10-63 23-10-63
27/28-10-64 (21st Meeting)	Memorandum on the Fourth Plan Main issues for consideration	14-10-64 19-10-64
5/6-9-65 (22nd Meeting)	Recommendations of the NDC committees Fourth Five Year Plan—Resources, outlays and programmes Export programme for the Fourth Plan	16-7-65, 23-7-65 26-8-65 and 30-8-65. 29-8-65 1-9-65
20/21-8-66 (23rd Meeting)	Draft Outline of the Fourth Plan (Chapters sent on 11-8-66 and 12-8-66) Paper reviewing progress of implementation of land reforms Determination of principles of allocation of central assistance to states in Fourth Plan	13-8-66 18-8-66 19-8-66

Appendix 19

(See paragraph 7.6)

AN ANALYSIS OF ASSISTED AND UNASSISTED SCHEMES IN THE THIRD FIVE YEAR PLAN OF PUNJAB UNDER THE SUB-HEAD "EDUCATION"

The draft Third Five Year Plan of Punjab for "general education" was of the order of Rs. 30.7 crores. In the plan as finally accepted the amount was reduced to Rs. 17.77 crores. The comparative composition of the two sets of figures was as follows:—

(Rs. in lakhs)							
(1)				(2)		(3)	
Draft Plan (3064)				Final Plan (1777)			
High pattern schemes (100%)	Other pattern schemes (50% to 75%)	Total pattern schemes	Non-pattern schemes	High pattern schemes (100%)	Other pattern schemes (50% to 75%)	Total pattern schemes	Non-pattern schemes
116	1810	1926	1138	64	1116	1180	597

It will be seen that in the original formulation itself pattern bearing schemes formed 63% of the state plan in this sector while schemes to which no patterns were attached formed 37% of the total. When the plan had to be slashed there was a reduction in the non-pattern schemes to the extent of 48% while the pattern schemes suffered a cut of 39%. Thus the unassisted portion suffered a heavier cut.

2. Many of the unassisted schemes given up or slashed had a high priority but were given up in favour of assisted schemes. Some of these priority schemes were:—

(i) establishment of additional primary schools at Chandigarh	Rs. 7.67 lakhs (abandoned)
(ii) upgrading of middle schools to high schools	Rs. 79.11 lakhs (abandoned)
(iii) introduction of craft in middle schools	Rs. 59.00 lakhs (slashed)
(iv) additional contingent grants for equipment for secondary schools	Rs. 66.00 lakhs (slashed)
(v) social education	Rs. 36.29 lakhs (abandoned)
(vi) orientation of inspection staff	Rs. 0.50 lakhs (abandoned)
(vii) strengthening of science teaching in elementary schools	Rs. 1.00 lakhs (abandoned)
(viii) setting up of 2700 school gardens	Rs. 27.00 lakhs (abandoned)
Schemes Nos. (i), (ii), (iii) and (iv) had a particularly high priority in the draft plan and, in any case, all these schemes had, in the opinion of the state, a higher priority than the following sample of assisted schemes eventually included:—	
(i) residential quarters for women teachers in rural areas	Rs. 5.00 lakhs (100%) (the quarters have remained unoccupied)
(ii) hostels for girls in secondary schools	Rs. 15.20 lakhs (100%) (suffered no cut from the original size)
(iii) provision of lavatories and drinking water facilities	Rs. 7.50 lakhs (100%) (increased from Rs. 3.75 lakhs)
(iv) milk feeding programme	Rs. 20.00 lakhs (86.2/3%) (this provision was made at the last stage).

AN ANALYSIS OF ASSISTED AND UNASSISTED SCHEMES IN THE THIRD FIVE YEAR PLAN OF MADRAS UNDER THE SUB-HEAD "AGRICULTURE"

The draft Third Five Year Plan of Madras for "agriculture" was of the order of Rs. 46.75 crores which included pattern and non-pattern schemes as under:—

Pattern bearing schemes Rs. 40.75 crores

Non-pattern bearing schemes Rs. 6.00 crores

The total outlay had to be cut down by Rs. 10 crores approximately to Rs. 36.98 crores. To the extent approximately of Rs. 8 crores the reduction was spread over a number of schemes. To the extent of Rs. 2.23 crores schemes were wholly dropped as follows:—

					No.	Amount
Non-pattern bearing	..	..	..	..	15	Rs. 138.50 lakhs
Pattern bearing	..	..	..	..	3	Rs. 85.00 lakhs
Total					..	Rs. 223.50 lakhs

Thus the incidence of elimination was much greater on unassisted schemes than on assisted schemes, though the former even in the original formulation formed only a small proportion of the plan. Later some unassisted schemes totalling Rs. 27.5 lakhs were again added. Thus elimination of the unassisted schemes was of the order of Rs. 1.11 crores while that of assisted schemes was Rs. 85 lakhs.

Among the unassisted schemes abandoned the following had high priority:—

- (i) establishment of a cattle farm for jersey;
- (ii) sheep and wool research institute;
- (iii) sheep breeding through co-operative societies in block areas;
- (iv) poultry development through co-operative societies;
- (v) improvement of milk supply in urban areas and
- (vi) establishment of fodder farms.

As against this, the following assisted schemes were included although the State Government had accorded them a lower priority:—

- (i) lac development;
- (ii) mass castration of scrub bulls;
- (iii) improvement of slaughter houses;
- (iv) ICAR schemes;
- (v) training of personnel;
- (vi) rural dairy extension service, and
- (vii) survey of statistics and research.

The incidence of curtailment of outlays was, in the main, on assisted schemes. Considering, however, the small outlay on them, there was little scope of reducing it on unassisted schemes.

Appendix 21

(See paragraphs 7.7 and 7.9)

CASE STUDY OF A CENTRALLY ASSISTED SCHEME : LIBERALISATION OF PATTERN OF ASSISTANCE FOR PUMP SETS

The Secretary, Department of Agriculture stated that ^{Origin of the proposal} direct pumping from streams and rivers could bring substantial acreage in the rabi programme and summer programmes. All attempts should be made to mobilise available diesel pumps in the states for this purpose and use them effectively, wherever such water was available. Cultivators generally responded to the scheme of fifty per cent subsidy for the running of the pump. As a special drive the subsidy scheme may be maintained. It may be possible also to mobilise all available pumps with the manufacturers and use them in departmental schemes for the utilisation of pumps. The details would have to be determined in consultation with the states. Loans may have to be given to the states for the purchase of the pumps. The schemes could be approved in principle.

The Irrigation Adviser worked out the total requirements ^{Further developments} as under:—

- (i) loans to meet the initial cost of pumpsets and their installation—Rs. 45 lakhs, and
- (ii) subsidy to cover 50% of the working expenses—Rs. 3.5 lakhs per annum.

The proposal was sent to the Planning Commission.

While the Planning Commission had no objection to the scheme in principle they stated that the existing pattern of assistance for minor irrigation schemes including pumpsets was 25% grants and 75% loans as against 50% subsidy on the running cost proposed by the Ministry. The proposal was thus not in accordance with the approved pattern. Besides it would not be desirable to have two patterns of assistance for the same programme. It was also most unlikely that the state governments would accept the programme on these terms as pumpsets would have to be operated for a number of years or be sold at secondhand prices. In either case the state

government would stand to lose substantially more than the proposed subsidy. There were also practical difficulties in granting a subsidy on the basis of running cost. It would, therefore, be better to encourage private individuals or their co-operatives to take up this programme and to provide the loan and subsidy for the same. It was therefore, suggested that this scheme may also be sanctioned on the existing pattern primarily in the private or co-operative sector.

On reconsideration the Department of Agriculture suggested that a subsidy of 33½ per cent should be allowed on the purchase of pumpsets and that no subsidy may be given for their operation. This would be shared equally between the centre and the states wherever pumpsets were installed by the cooperatives, panchayats or the farmers. In case the state governments undertook the scheme directly a subsidy of 20 per cent should be available. This was also approved by the Secretary, Agriculture.

The Planning Commission suggested that it would not be desirable or feasible to change the pattern of assistance in respect of only these pumpsets unless they were installed in the public sector. In case the rate of subsidy was raised to 33½ per cent in respect of all pumps installed by the state governments, co-operatives or private individuals the number purchased would be much more, say, perhaps, 40 to 50 thousand pumpsets in the year. It would be difficult to distinguish between the pumpsets purchased during the same year. Under the circumstances the most appropriate course would seem to be to restrict the liberalisation of the pattern of assistance only to the pumpsets installed by the state governments.

Meanwhile the Finance Minister in a meeting of Chief Ministers held to discuss the position regarding supplies of materials and equipment for agricultural production had observed that there were serious administrative difficulties in giving such subsidies. He said that he would be prepared to raise to 50 per cent the existing rate of subsidy on diesel engines of 5 HP or less used for agricultural purposes. In respect of diesel engines of higher HP used for agricultural purposes the possibility of lower graduated rates of subsidy would be

examined. In cases where diesel engines of more than 5 HP were purchased by the state governments for use as agricultural pumpsets in projects directly implemented by them or for community purposes, the centre would be prepared to share 50 per cent of the cost of purchase.

Taking the above into consideration a sliding scale of subsidy was proposed by the Department of Agriculture in consultation with their technical officers and with the approval of Secretary as under:—

upto 10 HP—50 per cent

more than 10 HP upto 20 HP—37.5 per cent

more than 20 HP—25 per cent.

It was also proposed that the above scales of subsidy be extended to petrol/kerosene oil engines. It was further proposed that on diesel-run lift irrigation schemes operated by the state governments themselves 50 per cent subsidy on the recurring expenses may be shared 50 : 50 basis between the state governments and the Government of India. This proposal was sent to the Ministry of Finance (Department of Co-ordination) and a copy was also sent to the Planning Commission.

The proposal was thereafter modified to the effect that since the state governments sustained recurring losses in the operations and maintenance of diesel pumpsets 50 per cent of the net loss suffered by the state governments in operation and maintenance may be shared by the Government of India.

The Department of Coordination accepted the proposal, slightly modified, as follows:—

for engines below 5 HP—50%

for engines between 5 and 10 HP—37.5%

above 10 HP—25%.

The subsidy would be shared between the centre and the states. The proposal that a subsidy should be granted for petrol/kerosene oil engines was not accepted by them.

The sanction was issued conveying the approval to the liberalisation of assistance by the Department of Agriculture after showing the case to the Associated Finance.

The case study brings to light the following features:—

- (1) it took about 5 months to finalise the pattern of assistance: the Planning Commission and the Department of Co-ordination were consulted in between;
- (2) as this was a state plan scheme and the total central assistance was payable in accordance with the usual procedure (*i.e.* in accordance with the ceiling fixed for the head of development irrespective of the pattern of assistance of individual schemes) the state governments did not gain any additional assistance on account of this proposal;
- (3) the only gainers were actual consumers. Whether consumers in all states needed this order of assistance was not gone into; and
- (4) the proposal required horizontal co-ordination among four bodies: the Ministry of Agriculture, the Planning Commission, the Ministry of Finance and to a limited extent, the state governments (in the form of a meeting) excluding Associated Finance, which would raise the number to five. In each of these bodies (except the meeting of the Chief Ministers) the case presumably underwent considerable vertical movement.

CASE STUDY OF A STATE PLAN SCHEME—SETTING UP OF AGRICULTURAL COLLEGES

Schemes undertaken by the states of Maharashtra and Rajasthan during the Third Plan period were studied with particular reference to the scrutiny of the state five year plans. Provisions for the schemes and the progress of expenditure (including universities) have been shown in the annexure.

Investigations and surveys—Steps taken to expand agricultural education upto and during the First Plan period were inadequate. In 1955, the I.C.A.R. made a review of trained personnel in the field of agriculture. In March 1957, the Planning Commission appointed an agricultural personnel committee to assess the requirements of agricultural personnel during the Third Plan period. In October 1959, an inspection team on post-graduate education was constituted. The team recommended, apart from other things, minimum standards which an agricultural college must conform to for getting central assistance. The I.C.A.R. communicated these standards to the states in July 1961 with the request that as far as practicable, the colleges should conform to these standards.

The first and second Indo-American teams also made a number of recommendations in 1954 and 1959-60 in regard to agricultural education.

Scrutiny of the schemes—The states prepared their schemes mainly based on the conclusions of the committees mentioned above.

(i) *Scrutiny at base level—Education Wing of the I.C.A.R.*

The scrutiny was done by the Assistant, Section Officer and Under Secretary. As regards Maharashtra, the provision proposed was opposed on the ground that that state already had a sufficient number of agricultural colleges and that there was also scope for expansion of the existing colleges. As regards Rajasthan, the provision proposed was agreed to except for the agricultural university (for which a token provision of Rs. 1 lakh was agreed to on the ground that the scheme for the setting up of agricultural universities was still to be examined from an all-India point of view by the I.C.A.R. and the Planning Commission).

(ii) *Working Group on Agriculture:*

An under secretary from the I.C.A.R. attended the meeting. The provision proposed by the Government of Maharashtra was reduced despite stiff resistance by the State Government, Rajasthan Government agreed to the reduction.

The provisions proposed by the state governments and those agreed to by the Working Group are indicated in the annexure.

Nevertheless, the Maharashtra State Third Five Year Plan provided for Rs. 199.48 lakhs as against Rs. 176.80 lakhs provided in the draft plan and Rs. 126.80 lakhs agreed to by the Working Group.

Annual Plans—The draft annual plan 1965-66 for Maharashtra was agreed to by the Education Wing of the I.C.A.R. However, in the sub-group meeting on "agriculture" the State Government brought up two advance action schemes which were also agreed to in the absence of the representative of I.C.A.R. On receipt of the minutes of the meeting of the sub-group, the I.C.A.R. opposed the inclusion of these two schemes on grounds similar to those advanced while discussing the five year plan. Approval of the Directorate of Economics and Statistics, the Planning Commission and the Food and Agriculture Ministry to this line of thinking was obtained and the State Government informed of this decision. After about 5 months, the State Government replied that these schemes had already been undertaken. The State Government disagreed with the I.C.A.R. and offered counter arguments. The I.C.A.R. did not agree with the views expressed by the State Government and started collecting statistics of the unemployed agricultural graduates. The figures collected were, however, unreliable and the matter was not pursued with the State Government.

Similarly, a proposal came from Chief Minister, Punjab for the establishment of an agricultural college at Kangra. However, the I.C.A.R. agreed to the establishment only of a junior college at Kangra and opposed the proposal of the Chief Minister mainly on the ground that the existing colleges in Punjab, Simla and Srinagar could cater to the needs, if necessary, by expansion.

Conclusions

1. The scrutiny of the schemes was mostly done by non-technical staff.
2. The Working Group on Agriculture (Min. of Food and Agriculture) reduced the outlay proposed by the state governments mainly on account of the financial ceilings communicated by the Planning Commission and despite the disagreement of the state representatives.

3. In disregard of the conclusions of the Working Group, one state government made an enhanced provision in the revised plan which was even more than the outlay proposed in the draft plan. The Planning Commission and the administrative ministry could not prevent the enhanced provision.

4. Despite objections from the technical officer, the I.C.A.R. did not raise any objection to the enhanced provision. The enhanced provision was agreed to in the I.C.A.R.

5. In spite of opposition from the Government of India, Maharashtra went ahead with the opening of agricultural colleges and the Ministry of Food and Agriculture could not dissuade the State Government from following this course. As the states get assistance according to the head of development the State Government presumably did get the necessary assistance because they would have included the expenditure incurred on these schemes in the overall expenditure under "agricultural production" and got assistance from the centre under that head.

THIRD FIVE YEAR PLANHead of development: *Agricultural production*Name of the scheme: *Agricultural education*

Name of the state and details of scheme	Provision proposed by the state government	Provision recommended by the Working Group on Agriculture	Third Plan provision	Actuals 1961-62 to 1964-65	Anticipated expenditure 1965-66	Total 3rd Plan
Rs. Lakhs Rs. Lakhs Rs. Lakhs Rs. Lakhs Rs. Lakhs Rs. Lakhs Rs. Lakhs						
1. Maharashtra						
(i) Agricultural university	..	..	..	..	0.36	0.38
(ii) Agricultural colleges—						
(a) Expansion and improvement	.. 126.80	} 126.80	199.48	125.31	36.93	162.24
(b) New establishment	50.00					
Total	.. 176.80	126.80	199.48	125.31	37.31	162.62
2. Rajasthan						
(i) Agricultural university	40.00	1.00	1.00	} 51.92	21.81	73.73
(ii) Agricultural colleges—						
(a) Expansion and improvement	.. 45.30	45.30	45.30			
(b) New establishment	14.70	14.70	14.70			
Total	.. 100.00	61.00	61.00	51.92	21.81	73.73

Appendix 23

(See paragraph 7.14)

DRILL PROPOSED IN THE MATTER OF TYING CENTRAL GRANTS TO CRUCIAL PROGRAMMES IN THE STATE SECTOR

1. The Planning Commission will scrutinise the crucial programmes proposed by each of the ministries concerned soon after the finalisation of the outline of a five year plan. These programmes will be within the framework of the outline but in each sub-head of development tentative break-up state-wise will be indicated and targets to be achieved in each sub-head will be evolved. These will be highly selective.

2. The tentative conclusion arrived at will be communicated to the state concerned who will be asked by the Planning Commission to get the proposals considered first by the sectoral working groups, who will be required to discuss the matter with their counterparts at the centre and thereafter the state planning boards will form their view in each case.

3. The proposals as emerging from the state governments will be considered bilaterally between the Planning Commission and the state representatives. Representatives of the ministries concerned will also join this discussion. In this meeting the targets as well as tentative year-wise break-up will be settled in respect of each state. If a state fails to convince the centre, the final word will be with the centre.

4. The final state plan will be so framed as to include all the programmes settled for tying. Schemes falling within the approved programmes shall be approved along with the approval of the five year plan. There will be a uniform pattern of central assistance in the tied programmes equivalent to the proportion which the total central assistance for the whole plan bears to the total size.

5. The ways and means advances will be given separately for the tied portions and separately for the rest of the plan so that separate accounting is possible.

6. The progress reports in respect of the completed year (year preceding the one during which the annual plan is to be settled) will be examined during the annual plan discussions. Considering the pace of progress as well as the optimum executing capacity of each state in respect of each of the tied programmes, the size of the tied programmes for the next year will be determined; if a state has shown a shortfall in.

these programmes in the previous year, it will be allowed to undertake higher performance to make up the lost ground on the tacit understanding that additional central grants corresponding to the extra performance would be allowed not exceeding the shortfalls during the previous one year only in these programmes.

7. Free reallocation within the tied programmes inside each sub-head of development may be permitted to the states. No reallocation will be permissible outside the respective sub-head of development.

8. The central grants should be tied to the programmes and not to individual schemes. If new schemes occur to the centre during the currency of a plan period the Central Government will commend to the states concerned model schemes likely to contribute to targets in crucial sectors leaving it to the states to choose and adopt or adapt any of these schemes suiting to their local circumstances and needs. Conversely, the states shall secure the prior approval of the Planning Commission for including new schemes in the tied sector.

9. At the end of each financial year the amounts proportionate to shortfalls in tied programmes shall be determined and deducted from the ways and means advances in respect of the current year (next year). The amounts so deducted shall be kept in the suspense account for one year. If during the next year performance exceeds the initial allocation for the year, proportionate additional assistance will be allowed out of a suspense account but the balance will not be carried over from year to year. Thus every year a fresh suspense account shall be opened with a clean slate.

Appendix 24
(See paragraph 8.7)

**COMPARATIVE ALLOCATION OF CENTRAL ASSISTANCE
FOR CENTRALLY SPONSORED SCHEMES IN CERTAIN
SECTORS**

(Rs. in crores)

Subject				Budget Estimates 1962-63	Budget Estimates 1966-67
<i>Education</i>					
Centrally aided schemes	..	..	..	17.81	17.13
Centrally sponsored schemes	..	..	..	1.87 (9.5%)	4.94 (22.4%)
				19.68 (100%)	22.07 (100%)
<i>Co-operation</i>					
Centrally aided schemes	..	..	..	3.59	6.82
Centrally sponsored schemes	..	..	..	1.14 (24.1%)	7.53 (52.5%)
				4.73 (100%)	14.35 (100%)
<i>Agriculture</i>					
Centrally aided schemes	..	..	..	51.75	135.74
Centrally sponsored schemes	..	..	..	3.23 (5.9%)	11.06 (7.5%)
				54.98 (100%)	146.80 (100%)
<i>Health</i>					
Centrally aided schemes	..	..	..	..	29.73
Centrally sponsored schemes	..	..	..	..	10.16 (25.5%)
					39.89 (100%)

Note—These figures give the portion of central assistance only.

CASE STUDY OF A CENTRALLY SPONSORED SCHEME— AGRICULTURAL UNIVERSITIES

PART I

Under the existing system of agricultural education, education, research and extension are completely divorced from each other and the training is mostly theoretical. In order to remove this defect, it was proposed to establish agricultural universities in India on the lines of the Land Grant Colleges in the U.S.A. The establishment of agricultural universities was suggested by the Rehabilitation Commission and again by two Indo-American teams (set up under the Technical Cooperation Programme) in 1954 and in 1959-60. A blueprint for a university was prepared by the first Indo-American team.

2. Although a number of states wanted to establish agricultural universities during the Second Plan period, only Uttar Pradesh was allowed to establish one as an experimental measure because only that state had submitted a concrete scheme (based on the blueprint prepared by first Indo-American team).

3. Another committee (Cummings Committee) was appointed in 1960 to examine proposals of state governments for future agricultural universities from the point of view of the prerequisites in respect of the integration of teaching, research and extension as also the need and characteristics of agricultural universities. The Committee also scrutinised the bills prepared by the state governments for setting up agricultural universities. The Committee submitted its final report in 1962 but presented interim reports on various states in the interim period.

4. The views of the Planning Commission were elicited in the first week of December 1960. The Commission expressed their views in March 1961. The Commission held that universities should be established at regional levels only to save some expenditure. The Indian Council of Agricultural Research (ICAR), however, considered this unconstitutional because no state could be prevented from establishing a university as agriculture was a state subject. The Commission agreed with this. The Planning Commission was also of the view that the most suitable institutions could be upgraded as universities to avoid expenditure on buildings. The ICAR contested this view saying that this would amount to discrimination between one institution and another. What

could be done was to lay down minimum standards and a pattern of assistance and, once these standards were conformed to by any institution/university, to release the necessary financial assistance. The Planning Commission generally agreed to this and after considering various reports available, allotted in April 1961, two crore rupees for setting up universities in the Third Plan period with the limitation that each university could not get more than Rs. 25 lakhs. The Commission also decided that the pattern of assistance could be the same as for agricultural education in the states' sector. The ICAR issued necessary instructions to only six states in August 1961 asking the states to send their proposals. (Approval of the Planning Commission and the Ministry of Finance to the issue of these instructions was obtained. The Planning Commission had desired that these instructions should be sent to all the states).

5. The University Grants Commission was not consulted before the issue of the above instructions. (During the Second Plan, the University Grants Commission's (UGC) agreement to the establishment of an agricultural university by the U. P. Government had been obtained). A reference to the UGC was made in October 1961 and this Commission gave their approval by the end of 1962. Thereafter, the ICAR issued necessary instructions to the state governments giving technical approval to their proposals. Detailed scrutiny of the schemes had been done in the Cummings Report.

Conclusions

1. A large number of committees was appointed in succession to look into the question.

2. Although all the committees strongly recommended the establishment of the universities in every state and some worked out details and blueprints as well (the earliest recommendation was made even prior to 1954) and the administrative ministry agreed with this recommendation, the Planning Commission did not agree. The constitutional validity of its views was debated.

3. The Planning Commission took a long time in finalising its views despite great urgency shown by the administrative ministry.

4. The last committee took about two years in submitting its final report. Some of the work done by the committee e.g. scrutiny of bills prepared by the state governments could have been done by the administrative ministry on the basis of a model bill.

5. Consultation with the University Grants Commission was not held in time and the purpose of hurrying up the proposal with the Planning Commission was defeated.

6. It took an inordinately long time in finalising the scheme:

- (1) 1st Indo-American Team Report—1954.
- (2) 2nd Indo-American Team Report—1959-60.
- (3) Cummings Committee Report—1962.
- (4) Scheme approved in—August 1961.

7. Against the express wishes of the Planning Commission, proposals were not invited from all the states but only from six states.

CASE STUDY OF A CENTRALLY SPONSORED SCHEME— AGRICULTURAL UNIVERSITIES

PART II

Revision of pattern of assistance

While approving the centrally sponsored scheme for the establishment of agricultural universities in the states, the Planning Commission had also approved the pattern of assistance saying that it could be on the same lines as for agricultural education in the states' sector. This pattern of assistance was communicated to the state governments in August, 1962 by the Planning Commission as being 75% for non-recurring expenditure and 25% for recurring expenditure. It was also tentatively decided that a ceiling of Rs. 25 lakhs per university should be fixed. In October, 1962 the Associated Finance impressed upon the Indian Council of Agricultural Research (ICAR) the need for clearly determining the items for which the assistance to agricultural universities was to be given. With a view to deciding these questions, the University Grants Commission was asked on 17-11-62 to give an idea of the broad items of expenditure on which the University Grants Commission (UGC) usually sanctioned its grants to the various universities and colleges. The reply of the UGC was received in November, 1962.

Taking into account the UGC scheme it was proposed by the ICAR that grants should be given to the state governments at the rate of 75% of non-recurring expenditure only in respect of the following items limited to a ceiling of Rs. 25 lakhs in each case:—

- (1) hostels;
- (2) libraries;
- (3) staff quarters;
- (4) museums;
- (5) establishment and improvement of university press; and
- (6) building for central administrative block.

As regards items of recurring expenditure, it was proposed to give financial assistance at the rate of 50% on some specific schemes such as:—

- (i) revision of scales of pay of staff on the lines of the UGC scale;
- (ii) grant of scholarships and fellowships; and
- (iii) hobby workshops etc.

The case was sent to the Associated Finance in January, 1963. The Associated Finance advised in February 1963 that the central assistance for the library and new colleges to be added in the campus should be restricted to 50% of the expenditure, subject to a ceiling of Rs. 25 lakhs. The ICAR objected to this suggestion of the Associated Finance and argued that since the expenditure on agricultural education including setting up of new colleges and expansion of existing ones was a pattern scheme even otherwise under the state sector and was entitled to central assistance of 75% of non-recurring and 25% of the recurring expenditure, the acceptance of the pattern suggested by the Associated Finance for agricultural universities would make the account complicated. The ICAR, therefore, suggested that the pattern might be fixed as 75% non-recurring and 25% recurring in respect of the centrally sponsored portion of these agricultural universities. The ICAR did not have any objection to the curtailment of items suggested by the Associated Finance. The Associated Finance agreed to this in March, 1963. The ICAR desired the issue of the necessary instructions to the state governments telling them about the pattern of assistance and asking them to sanction the detailed estimates in consultation with their finance departments and to approach the ICAR about the requirements of funds during the current financial year. The Associated Finance, however, did not agree to the issue of the instructions and desired that the state governments and the universities concerned should be contacted and asked to bring their detailed estimates for the central portion of the university projects on the basis of which the grants could be given to the state governments. The detailed schemes and estimates thereof were not available and it was decided in March 1963 that no funds should be released during the current financial year. Meanwhile, the ICAR approached the Planning Commission for the revision of the pattern of assistance. While communicating to the states the pattern of financial assistance originally approved by the Planning Commission, the states had been given indications that the assistance could be made available to enable universities to discharge the special responsibilities enjoined on them by their status. This presumably referred to item like the administrative block and the central library. However, the administrative block might earn a lower priority in the development of the university than some of the other items and would probably form only the frill of the scheme. If, therefore, assistance was given for such items only, the ICAR would be pressing the state governments to complete these items on a priority basis and to give a lower priority to other items of a more urgent nature such as the development of new colleges and

schools to complete the university complex, hostels and staff quarters etc. The Planning Commission was, therefore, proposed to be approached to amend the pattern of assistance. This proposal was made in the first week of March, 1963 and a draft proposed to be sent to the Planning Commission was shown to the Directorate of Economics and Statistics in April, 1963. The draft was received back in ICAR in the first week of May, 1963 with some modifications suggested by the Directorate of Economics and Statistics. The Associated Finance, on further consideration, had some fresh doubts about the pattern of assistance being proposed and suggested that a meeting should be held with the Planning Commission. Accordingly, a meeting between the officers of the ICAR, Planning Commission, Directorate of Economics and Statistics and the Associated Finance was held in May, 1963. In the meeting, it was generally agreed that the assistance to agricultural universities should be broadly on the same lines as the assistance given by UGC to other universities. The file was referred to the Planning Commission in May, 1963 for getting their approval to the decisions of the meeting as recorded in the file. The Planning Commission endorsed those decisions and the file was received back in the ICAR in the first week of July, 1963. Necessary instructions to the state governments were issued only on the 24th of July, 1963 after getting the concurrence of the Associated Finance to the issue of these instructions. The revised pattern was as follows:—

Pattern as communicated in Planning Commission's letter No. PC(P)/4/2/62 dated the 4th of August, 1962

Revised pattern as communicated in ICAR letter No. 20/25/62-Edn. II dated the 24th of July 1963

Grant : 75% of non-recurring expenditure and 25% of recurring expenditure on agricultural universities/other constituent and affiliated colleges subject to a ceiling to be prescribed.

1. *Non-recurring expenditure on agricultural universities including constituent colleges*

50% on selected items e.g. constituent colleges (buildings and equipment); hostels ;

library (building and books—non-recurring); staff quarters; and administrative block.

2. *Recurring expenditure*

Revision of scales of pay only : 80% of the additional expenditure involved in revising the scales of pay of the teachers in universities so as to bring them in line with the University Grants Commission's scales of pay. This assistance will be restricted up to the end of the Third Five Year Plan. Thereafter the state governments concerned will have to meet the entire additional expenditure. (This decision was subsequently revised to the effect that the state governments would be entitled to the central share of the additional expenditure for a period of 5 years from the date they adopted the UGC scales of pay).

The revised pattern was generally on the lines in vogue in the UGC.

Conclusions

1. The pattern of assistance finalised by the Planning Commission **while** approving the scheme was on an **ad hoc** basis and no detailed consideration shaped this.

2. Although the original idea was only to **fix** items for which central assistance was to be given, the whole pattern came to be altered to conform to the **UGC** pattern. This could have been done at the time of the approval of the scheme itself.

3. It took **10** months to revise the pattern of assistance.

4. The pattern of assistance was finalised in the third year of the Third Five Year Plan with the result that no assistance was given to states during the first two years.

5. There was disagreement about the items qualifying for assistance. The **ICAR** considered the items chosen by the Associated Finance as having low priority from the technical point **of** View.

6. The choosing of items **for** central assistance was not necessary **as** assistance was limited to **Rs.** 25 lakhs per university which was considered to be a meagre amount by the **ICAR** as well as the Planning Commission.

7. The scheme is only partially centrally sponsored.

[See paragraph 8.131]

REORGANISATION OF LIVESTOCK FARM, HISSAR—A CENTRALLY SPONSORED SCHEME

A scheme for the reorganisation of livestock farm, Hissar, was included in the Third Five Year Plan as a centrally sponsored scheme with the total outlay at Rs. 50 lakhs. The scheme was approved by the Planning Commission on 2-1-1961 as a centrally sponsored scheme. The total estimated cost of the scheme was Rs. 144.96 lakhs in the Third Five Year Plan. Of this a sum of Rs. 44.96 lakhs represented the committed expenditure of the Government of Punjab on the normal running of the farm during the Third Plan. The remaining sum of Rs. 100 lakhs was to be shared on 50-50 basis by the Central Government and the Government of Punjab, the central share of assistance being limited to a maximum of Rs. 50 lakhs during the Third Five Year Plan period.

The scheme was a state plan scheme in the Second Five Year Plan and was being financed as such by the Government of Punjab. The draft of the scheme was prepared after two meetings in which the representatives of the Ministry of Finance, the Planning Commission and the Government of Punjab participated. At the last meeting of this committee held in December, 1964, the scheme drawn up by the technical experts of the Ministry of Food and Agriculture and the Government of Punjab was given final form. It was then sent to the Planning Commission on 12-12-1961. After their approval on 2-1-62, it was sent to the Ministry of Finance. The Ministry of Finance questioned the propriety of including it as a centrally sponsored scheme particularly when the Government of Punjab could very well bear the adjustment of Rs. 50 lakhs with the scheme continuing as a centrally aided scheme. It was pointed out to the Department of Agriculture that the reason for treating the scheme as a centrally sponsored one rather than a centrally aided one was not dear.

The Department of Agriculture explained that the Hissar farm was a unique institution and that the scheme should be treated as a centrally sponsored one for the following reasons:

- (i) it was the largest government cattle farm in the country with great potentialities and the Central Government felt that this farm should be developed so that it may play a national role in cattle development programme;
- (ii) at the instance of the Central Government the Punjab Government had come forward for a large scale reorganisation of the farm for the production of quality Haryana bulls for use not only in Punjab but also in other states;
- (iii) as the Haryana breed was one of the most important dual-purpose cattle breeds in the country the Ministry was interested in having a controlling influence on the policy making and execution of the programme and also in ensuring proper production and supply of superior calves for the various cattle breeding schemes;
- (iv) it would be impossible for the state to accommodate the whole expenditure on the farm within the ceiling for animal husbandry; and
- (v) constant and general supervision by the experts of the Central and state governments will result in the efficient and smooth working of the scheme.

The Ministry of Finance thereafter pointed out certain other important considerations and suggested that the scheme may be suitably recast for the following consideration:

the Indian Council of Agricultural Research

a pure breed was much less than what was anticipated in the reorganised proposals. It would be worthwhile to link up the proposal for the reorganisation of the Hissar farm with the progeny testing scheme. A composite scheme would perhaps give a considerable saving in the overheads. Also, the tractor facilities provided by the second tractor training centre proposed to be set up could be utilised for the Hissar farm. It was decided to discuss the details further with the Punjab Government officers on the 27th of March, 1962.

A meeting was held on April 24, 1962, with the representatives of the Punjab Government to discuss the scheme. The Deputy Financial Adviser clarified that the recurring cost of the scheme could be further reduced so as to bring down the estimated cost of production of bulls. At the instance of Joint Secretary, Agriculture, the Under Secretary concerned paid a visit in July to Hissar and held preliminary discussions with the Superintendent of the farm. There was considerable confusion and misunderstanding at the state level in regard to the provisions which had to be included in the scheme. For instance, they were not sure whether the cost of the existing staff should be reflected in the overall cost of the scheme. Similarly, they differed whether the cost of miscellaneous schemes of the Punjab Government which were then being implemented at the Hissar farm could be taken into account for the purpose of reorganisation of the farm. Ultimately, the cost of the scheme was revised as under :

						Original provision (Rs. in lakhs)	Revised provision (Rs. in lakhs)
Non-recurring	..	..	..	..	..	81.79	81.79
Staff	..	..	..	..	..	34.99	33.77
Contingencies	..	..	..	..	..	28.18	23.00
				Total	..	144.96	138.56

As regards linking the new scheme with the progeny testing scheme of the I.C.A.R., it was pointed out that progeny tested bulls were not available anywhere in the country

and according to that scheme it would take at least 25 years before any tangible results could be obtained. The objective of the reorganisation scheme was on the other hand to produce on a mass scale Haryana bulls which were true to their breed. The objectives of the two schemes were therefore quite different.

Regarding tractor facilities it was stated that the farm had already about 13 tractors and they would become useless if the livestock farm got its land ploughed by the tractors belonging to the training centre. Moreover, it will have to pay for the tractor charges at the usual rates which would be a heavy financial burden on the farm. Accordingly, a revised draft for the Expenditure Finance Committee (E.F.C.) was sent to the Ministry of Finance on 13-7-62.

The Ministry of Finance again pointed out that the scheme was analogous to the one which was considered by the E.F.C. earlier viz. the Rajasthan scheme for nomadic breeders regarding which the Secretary (Expenditure) had raised the basic question why central funds should be utilised for a scheme of this nature. It was suggested that the scheme currently proposed may await the decision of the Planning Commission which had been approached by the Ministry of Finance. The Department of Agriculture in August, 1962, stated that it would not be advisable to hold up the consideration of the Hissar scheme.

The Ministry of Finance then examined the scheme further. The proposed expenditure involved the entertainment of extra staff, the construction of buildings, the renovation of roads, the purchase of livestock and better facilities of water supply. The recurring expenditure was estimated at Rs. 56.77 lakhs and non-recurring at Rs. 81.79 lakhs making a total of Rs. 138.56 lakhs. The proposition was that the Central Government should meet 40% of the balance of the amount i.e. Rs. 93.60 lakhs (138.56—44.96 which was the commitment of the state). The Ministry of Finance also stated that the scheme would be a losing proposition to the state. Roughly the cost of producing one bull would be in the neighbourhood of Rs. 1,900 while its sale price would be about

Rs. 1,000. These calculations did not take into account the depreciation or interest on capital. The state government's point was that this was not a commercial venture and that the main purpose and emphasis was on producing a better type of bull. It was suggested at the Deputy Financial Adviser's level that the scheme may be considered by the E.F.C. on the basis that if it was accepted the Central Government should meet only 50% of the non-recurring expenditure and that the recurring expenditure should not be shared.

The scheme was ultimately discussed in the Expenditure Finance Committee meeting presided over by Secretary (Expenditure) and was attended by the representatives of Department of Agriculture, Department of Expenditure, and the Planning Commission on September 19, 1962. The question was discussed why the centre should finance an activity in the state field as a centrally sponsored activity. The farm was a state farm and its reorganisation was really the function of the state. Although the representatives of the Department of Agriculture explained the point, also covered in the paragraphs above, the Chairman was not entirely convinced and felt it would be much better to have left this to the state to do. He also felt that the scheme as formulated will always run at a loss. After a detailed discussion the scheme was approved subject to the following two conditions among others:

- (a) the total central assistance would be 50% of non-recurring expenditure subject to the maximum of Rs. 50 lakhs. The balance would be met by the state government and no further assistance would be given under state schemes; and
- (b) the running expenditure and costing would be examined again with a view to avoid any loss. It was decided that the Deputy Financial Adviser would be associated with the committee proposed for laying down major policies and rules of operations.

The Department of Agriculture issued a sanction to the Government of Punjab on 5-10-62 conveying the administrative approval of the Government of India to the scheme

costing Rs. 1.38 crores. The Central Government's liability was limited to Rs. 42 lakhs.

The high-powered committee on the government live-stock farm has been meeting off and on to consider various problems confronting the farm. In the meeting, officers of the Punjab Government, the Agriculture Department and the Deputy Financial Adviser are generally present. Not infrequently, meetings are postponed or even cancelled. The last meeting was held in March, 1966.

Despite this the progress of the scheme is slow. The following figures are revealing:

(Rs. in lakhs)						
Third plan outlay	Amount Utilised					
	1961-62	1962-63	1963-64	1964-65	1965-66	Total
50.00	8.86	6.84	11.00	26.70

It will be observed that the actual expenditure was only 53% of the Third Plan provision and 64% of the amount sanctioned by the Department of Agriculture.

The study brings out the following features:

- (i) the scheme was a state plan scheme and was converted into a centrally sponsored one ostensibly for the reason that it had an all-India importance but in reality to enable the state government to get financial assistance;
- (ii) in the discussions amongst the Punjab Government officers the Department of Agriculture and the Ministry of Finance, nearly two years were lost before the scheme was approved by the Central Government;
- (iii) although a joint committee of officers was appointed the progress of expenditure was slow;
- (iv) as against the original central liability of Rs. 50 lakhs, the new sanction contained central liability only to the extent of Rs. 42 lakhs;

- (v) the annual expenditure was only Rs. 27 lakhs against Rs. 42 lakhs sanctioned for the scheme; and
- (vi) a lot of time and labour could have been saved and the money properly utilised if the scheme had been allowed to run as a state plan scheme as suggested by the Ministry of Finance and the central assistance given to the Government of Punjab in the usual manner.

[See paragraph 8.14]

STATE-WISE AND SECTOR-WISE DISTRIBUTION OF CENTRE'S SHARE IN CENTRALLY SPONSORED SCHEMES IN 1966-67

(Rs. in lakhs)

	Audhra Pradesh	Assam	Bihar	Gujarat	J. & K.	Kerala	M.P.	Madras	Maharashtra	Mysore	Orissa	Punjab	Rajasthan	U.P.	West Bengal	Total
1. Agriculture—																
Minor irrigation ..	27.40	1.00	6.30	14.35	..	0.40	13.25	4.80	33.65	25.75	4.25	0.25	6.25	50.35	..	188.00
Soil conservation ..	14.00	..	6.00	11.91	6.00	..	45.25	12.64	8.00	10.00	33.00	43.45	15.25	15.50	14.00	235.00
Animal husbandry ..	..	..	0.80	..	..	..	..	..	2.60	..	..	20.37	7.53	8.08	1.40	40.78
Forests ..	9.00	3.00	8.40	11.00	..	10.00	26.00	5.40	30.00	35.00	12.00	20.00	..	55.00	10.00	235.40
Agricultural production ..	13.04	13.92	15.62	10.04	4.90	12.71	46.59	16.26	24.49	16.21	21.41	19.86	10.21	33.64	21.56	280.46
Total ..	63.44	17.92	37.12	47.30	10.90	23.71	131.09	39.10	98.74	86.96	70.66	103.93	39.24	162.57	46.96	979.64
2. Community development ..	94.60	30.56	64.20	44.04	10.75	32.86	86.95	85.35	166.01	50.75	53.65	30.10	44.85	219.42	36.85	1050.94
3. Co-operation ..	75.50	15.12	20.57	68.35	..	4.55	86.86	18.23	218.30	79.15	21.50	13.15	36.57	13.75	22.20	693.79
4. Food ..	9.00	4.00	5.50	10.00	..	4.50	5.00	4.20	8.00	1.00	1.50	3.00	1.50	3.00	40.00	100.20
5. Irrigation and power ..	1.00	0.10	1.00	0.50	..	76.00	0.28	1.70	0.90	1.00	0.50	1.80	..	1.80	1.80	88.38
6. Large and medium industries	2.00	2.00	3.00	..	1.00	72.50	3.00	1.00	..	2.50	2.00	..	2.00	2.00	2.00	95.00
7. Village and small industries	20.00	8.00	25.00	13.50	3.00	25.00	20.00	20.00	18.00	14.00	13.00	20.00	15.00	35.00	17.00	266.50
8. Education ..	17.37	9.62	2.37	9.27	..	11.62	12.07	7.87	11.87	7.87	1.97	11.67	3.87	8.87	4.57	120.88
9. Health ..	48.74	24.66	37.57	46.43	15.18	117.60	59.25	55.70	124.87	71.59	30.50	80.01	91.76	106.73	48.75	950.34
10. Labour and employment ..	20.30	16.80	60.65	22.25	8.35	17.59	51.70	50.30	115.45	21.85	20.25	62.75	9.00	188.00	62.26	727.50
11. Transport ..	0.40	163.00	288.50	603.35	13.50	18.50	4.30	7.40	11.50	87.00	6.70	10.00	650.10	237.00	265.05	2366.30
12. Tourism ..	..	..	0.75	1.34	10.00	10.50	..	..	1.64	0.61	0.13	0.50	5.25	1.25	..	31.97
13. Welfare of backward classes	74.69	112.40	177.50	124.76	7.77	13.48	202.18	45.74	142.40	27.77	142.27	14.19	47.88	64.41	51.67	1339.11
14. Housing ..	10.50	2.50	11.00	64.50	21.75	9.50	6.10	79.68	107.00	7.50	13.50	11.00	5.00	23.00	30.05	402.58
15. Public cooperation ..	3.50	0.75	0.37	6.36	1.20	0.87	0.67	1.80	1.90	2.12	1.45	3.50	1.60	3.20	0.48	29.77
Grand Total ..	441.04	407.43	735.10	1061.95	103.40	438.78	759.45	418.06	1026.58	461.67	379.58	365.60	953.62	1070.00	629.64	9251.90
Less provision for activities which are a central responsibility ..	..	..	..	600.00	..	..	..	..	..	..	..	..	650.00	..	..	1250.00
Net ..	441.04	407.43	735.10	461.95	103.40	438.78	759.45	418.06	1026.58	461.67	379.58	365.60	303.62	1070.00	629.64	8001.90

SCHEMES REQUIRING CENTRAL SCRUTINY*Medium irrigation projects*

These projects involve outlays ranging between Rs. 15 lakhs and 5 crores. At present, detailed scrutiny is made for projects costing more than Rs. 2 crores while for projects costing between Rs. 15 lakhs and Rs. 2 crores, scrutiny is done only on the basis of information collected on prescribed forms. Case studies in respect of schemes costing between Rs. 15 lakhs and Rs. 2 crores have been made to ascertain the utility of the latter type of scrutiny in the Central Water and Power Commission (C.W.&P.C.). The case studies show that it is rarely that the Central Water and Power Commission has any substantial contribution to make. On the other hand long delays have taken place resulting not only in loss of valuable time but also in escalation of costs. Most states in India have by now developed some expertise in smaller irrigation projects and can well be trusted to prepare and execute schemes costing Rs. 1 crore or less without any reference to the Central Water and Power Commission. A few states may still be deficient and they should be helped to develop their engineering organisations. These states can also continue to consult the Central Water and Power Commission of their own accord if they are diffident about any scheme. Speaking generally, the states are in a position to frame and execute schemes up to Rs. 1 crore themselves. Nevertheless information in the prescribed form should invariably be sent to the Central Water and Power Commission which may interfere if there is any inter-state or international aspect to the scheme. Indeed, where there are inter-state implications, the state embarking on a project should itself, as a measure of precaution, send the necessary information also to the affected state. With the help of the information thus received the Central Water and Power Commission will be able to continue to register and record the progressive utilisation of water from a particular river basin.

This limit of Rs. 1 crore can progressively be increased as the states develop their skill and expertise further.

Flood control, drainage and anti-water logging schemes

In the case of these schemes a very brief form has been prescribed which shows that considerable trust has already been reposed in the states' technical advisory committee under whose authority projects costing Rs. 25 lakhs or less are undertaken without central scrutiny. Scrutiny on the basis of forms is made at the centre for schemes costing between Rs. 25 lakhs and 1 crore. The financial limit in respect of these schemes needs to be brought on par with those prescribed for irrigation projects, with the stipulation that, as in the case of irrigation projects the requisite information should be made available to the C.W.&P.C. to enable them to keep their record up-to-date and to apply correctives in inter-state cases. The idea needs to be built up that C.W.&P.C. should be consulted voluntarily because of the excellence of their service and not through financial compulsion. This will help the C.W. & P.C. also to develop and maintain high standards of efficiency.

Electricity schemes

The schemes being generally hydro-electric, are closely bound with big irrigation and flood control projects. Otherwise also electric generation and distribution will be increasingly determined in an all-India context. It is, therefore, necessary that all schemes presently being sent up for scrutiny should continue to come to the centre, except that schemes for rural electrification, below Rs. 5 crores within an approved plan, may not require scrutiny by C.W. & P.C. For these, detailed information needed for record may be furnished to the Commission. Rural electrification schemes rarely involve lines above 33 KV and are generally of 11 KV.

Rural water supply and urban drainage schemes

Detailed advice and guidelines have already been issued to the state governments for preparing schemes. If these are followed the states themselves can easily prepare such schemes without central help. Case studies conducted on this subject show little contribution but considerable delay at the centre. These schemes therefore need not come to the centre at all for scrutiny.

Schemes relating to medium industries

During the first three five year plans, the states have acquired knowhow and expertise in the matter of setting up industrial estates. There is, therefore, no necessity of sending up such schemes to the centre for scrutiny which can now easily be done by the states themselves. In regard to the medium industries, a study team under the chairmanship of Shri H. C. Mathur, M.P., recommended, in March, 1966, that there should be large scale decentralisation by revising the schedule appended to the Industries (Development and Regulation) Act, 1951, so as to retain items not on the basis of the extent of dependence on import but strictly on that of overall public interest. By this method most of the industrial units below Rs. 25 lakhs would be freed from the necessity of central registration. Registration would then take place at the state level and retention at the centre of any of the delicensed sector should be an exception rather than the rule. It further recommended that the passing on of industries, in this context, to the states should be accompanied by a suitable enhancement in the foreign exchange allocation made to each state for the requirements of the small scale sector with an earmarked allocation for the medium scale sector proposed to be transferred to the states. A similar approach in regard to the allocation of indigenous raw material in scarce supply was recommended. The study team felt that the recommendations made, if adopted, should give the state governments their rightful place for promoting industrial development and would also ensure closer supervision of the utilisation of foreign exchange and scarce raw materials, besides helping the Directorate General at the centre in shedding a good bit of work not relevant to its basic and more important functions of planning, development and imports substitution, etc.

The recommendations of that study team should be supported. The effect of these, in a nutshell, would be that only industrial schemes costing more than Rs. 25 lakhs in the state public sector would need clearance at the central level.

Schemes for technical education

As technical education needs to be co-ordinated from the centre to secure the proper utilisation of technical manpower

and technical training, the present procedure for the scrutiny of schemes relating to them should continue.

Schemes costing Rs. 5 crores or more

As already stated, most of the schemes falling in this category are big schemes of irrigation, hydro-electric generation and transmission, flood control and anti-water logging. It is rarely that schemes from another sector fall in this category. The C.W. & P.C. as well as the Technical Advisory Committee of the Planning Commission have rendered useful service in their own field in the past in scrutinising such schemes. Even otherwise, such big schemes in all sectors, however rare these may be, need to be carefully conceived, phased and scrutinised within the overall framework of national priorities. These big schemes should, therefore, continue to come up to the centre for scrutiny. The administrative ministries or their associate organisations at the centre should be entrusted with this scrutiny under the overall directions of the Planning Commission. The central Ministry of Finance should not come into the picture. The existing circular needs amendment to this extent only.

Appendix 30

[See paragraph 10.5]

STATEMENT SHOWING STAFF AND FUNDS NEEDED FOR THE EVALUATION DIRECTORATE IN THE STATES

Post	No. of posts	Scale of pay (Rs.)	Anticipated expenditure (Rs.)
I. Recurring—			
A. Headquarters Unit—			
1. Director (Economics with experience of rural surveys and studies)	1	900—1,800	11,400
2. Dy. Directors (one in Administration and one in Statistics)	2	600—1,100	20,400
3. Asstt. Director (Sociology)	1	300—900	7,200
4. Research Assistants	3	170—385	6,120
5. Investigators	6	130—250	9,360
6. Computers	6	105—240	7,560
7. Accounts clerk	1	}	18,600
8. Stenographers	3		
9. U.D.C. and LDC	6		
10. Peons	4		
Sub-Total (Headquarters) ..			83,640
B. Field Task Force (At Headquarters)—			
1. Evaluation Officer	1	300—900	7,200
2. Senior Investigator	1	180—300	2,160
3. Junior Investigator	1	130—250	1,560
Sub-Total ..			10,920
C. Field Units (Average 3.5 per state)—			
1. Evaluation Officer	1	300—900	7,200
2. Investigator	1	130—250	1,560
3. Steno-typist	1	}	2,400
4. Clerk	1		
5. Peon	1		900
			12,060
For 3½ units ..			42,210
Total ..			1,36,770
D. Allowances (At 10%)			13,677
E. Travelling Allowance			20,000
F. Contingencies			15,000
Total (Annual per state) ..			1,85,447
			or 1,86,000
Total for five years ..			9,30,000
Grand Total for 15 states ..			1,39,50,000
			or 1,40,00,000
II. Non-recurring—			
Desk Calculators @ Rs. 1,000	6		6,000
Typewriters @ Rs. 1,200	6		7,200
Total ..			13,200
Total for 15 states ..			1,98,000
			or 2,00,000
III. Total for the Fourth Plan—			
A. Recurring			1,40,00,000
B. Non-recurring			2,00,000
Total ..			1,42,00,000

Appendix 31

(See paragraph 15.16)

RECOUNT—CANADIAN PRACTICE*Recount by Judge*

54. (1) If, within four days after the date on which the returning officer has declared the name of the candidate who has obtained the largest number of votes, it is made to appear, on the affidavit of a credible witness, to the judge hereinafter described, that a deputy returning officer in counting the votes has improperly counted or improperly rejected any ballot papers or has made an incorrect statement of the number of votes cast for any candidate, or that the returning officer has improperly added up the votes, and if the applicant deposits within the said period with the clerk or prothonotary of the court to which such judge belongs the sum of two hundred and fifty dollars in legal tender as security for the costs of the candidate who has obtained the largest number of votes, such judge shall appoint a time to recount the said votes, which time shall, subject to subsection (3), be within four days after the receipt of the said affidavit.

(2) The judge to whom applications under this section may be made shall be the judge as defined in sub-section (13) of section 2 within whose judicial district is situated the place where the official addition of the votes was held or the judge acting for such judge pursuant to paragraph (f) of that sub-section or a judge designated by the Minister of Justice under that paragraph, any judge who is authorized to act by this section may act, to the extent so authorized, either within or without his judicial district.

(3) If applications for a recount of the votes in two or more electoral districts are made under this section to the same judge, such judge shall first proceed with the recount in the electoral district in respect of which the first application is made to him, and successively with the recounts in the electoral district or districts in respect of which applications were later made, and all such recounts shall proceed continuously from day to day until the last of them has been completed.

Application
to a judge
for recount

Meaning of
"judge"

Procedure
when
applications
for recount
in two or
more dis-
tricts are
made

(4) The judge shall appoint and give written notice to the candidates or their agents of a time and place at which he will proceed to recount the votes, and he may at the time of the application or afterwards, decide and announce that service of the notice will be substitutional, or by mail or by posting, or in any other manner. Notice and service

(5) Such judge shall also summon and command the returning officer and his election clerk to attend at the time and place so appointed with the parcels containing the used and counted, the unused, the rejected, and the spoiled ballot papers, or the original statements of the poll signed by the deputy returning officers, as the case may be, with respect to or in consequence of which such recount is to take place, which summons and command the returning officer and election clerk shall obey, and they shall attend throughout the proceedings, at which proceedings each candidate is entitled to be present and to be represented by not more than three agents appointed to attend. Order of judge to returning officer
Who may be present at recount

(6) In case any candidate is not present or represented, any three electors who may demand to attend in his behalf are entitled to attend; and except with the sanction of the judge, no other person shall be present at such recount. If candidate not re-presented, authority of judge

(7) At the time and place appointed, and in the presence of such of the said persons as shall attend, the judge shall proceed to make such recount from the statements contained in the several ballot boxes returned by the several deputy returning officers, or to recount all the votes or ballot papers returned by the several deputy returning officers, as the case may be, and shall, in the latter case, open the sealed envelopes containing the used and counted, the unused, the rejected, and the spoiled ballot papers, and he shall not open any other envelopes containing other documents. Making recount
Opening sealed packets of ballots

(8) In the case of a recount, the judge shall recount the votes according to the directions in this Act set forth for deputy returning officers at the close of the poll, and shall verify or correct the statement of the poll giving the ballot paper account and the number of votes given for each candidate; and he shall also, if necessary or required, review the Mode of proceedings with the recount

decision of the returning officer with respect to the number of votes given for a candidate at any polling place where the ballot box used was not forth-coming when the returning officer made his decision, or when the proper statements of the poll were not found therein, and for the purpose of arriving at the facts as to such missing box and the statements of the poll, the judge has all the powers of a returning officer with regard to the attendance and examination of witnesses, who in case of non-attendance are subject to the same consequences as in case of refusal or neglect to attend on the summons of a returning officer.

Powers of
Judge

(9) If in the course of the recount any ballot paper is found with the counterfoil still attached thereto, the judge shall remove and destroy such counterfoil; he shall not reject the ballot by reason merely of the deputy returning officer's failure to remove the counterfoil, nor shall he reject any ballot paper by reason merely of the deputy returning officer's failure to affix his initials to the back of such ballot paper.

Where
counterfoil
is attached

(10) The judge shall, as far as practicable, proceed continuously, except on Sunday, with the recount, allowing only necessary recess for refreshment, and excluding, except as he shall otherwise openly direct, the hours between six o'clock in the afternoon and nine in the succeeding forenoon.

Proceedings
to be con-
tinuous

(11) During such recess or excluded time the ballot papers and other documents shall be kept enclosed in parcels under the seals of the judge and of such other of the said persons as desire to affix their seals thereto.

During ex-
cluded time
documents
to be under
seal

(12) The judge shall personally supervise such parcelling and sealing and take all necessary precautions for the security of such papers and documents.

Supervision
of sealing

(13) At the conclusion of the recount, the judge shall seal all the ballot papers in separate packages, add the number of votes cast for each candidate as ascertained at the recount and forthwith certify in writing, in the form prescribed by the Chief Electoral Officer, the result of the recount to the returning officer, who shall, as prescribed in sub-section (1) of section 56, declare to be elected the candidate who has obtained the largest number of votes; the judge

Procedure at
conclusion
of recount

shall deliver a copy of such certificate to each candidate, in the same manner as the prior certificate delivered by the returning officer under sub-section (5) of section 51 the judge's certificate shall be deemed to be substituted for the certificate previously issued by the returning officer.

(14) In case of an equality of votes the returning officer, ^{Equality of votes} notwithstanding that he may have already voted pursuant to sub-section (6) of section 51, has and shall cast another or deciding vote.

(15) If the recount does not so alter the result of the poll as to affect the return, the judge shall

- (a) order the costs of the candidate appearing to be ^{Costs} elected to be paid by the applicant, and
- (b) tax such costs, following as closely as possible ^{To be taxed} the tariff of costs, allowed with respect to proceedings in the court in which the judge ordinarily presides.

(16) The money deposited as security for costs shall, so ^{Disposal of deposit; if action for balance} far as necessary, be paid out to the candidate in whose favour costs are awarded and if the said deposit is insufficient the party in whose favour the costs are awarded has his action for the balance.

Election Return

56. (1) The returning officer, immediately after the sixth day next following the date upon which he has completed ^{Return of elected candidate} the official addition of the votes, unless before that time he has received notice that he is required to attend before a judge for the purpose of a recount, and, where there has been a recount, then immediately thereafter, the returning officer shall forthwith declare elected the candidate who has obtained the largest number of votes by completing the return to the writ on the form provided for that purpose on the back of the writ; the returning officer shall then transmit by registered mail the following documents to the Chief Electoral Officer:

- (a) the election writ with his return in Form No. 60 endorsed thereon that the candidate having the majority of votes has been duly elected;

- (b) a report of his proceedings in the form prescribed by the Chief Electoral Officer; ;
- (c) the recapitulation sheets, in the form prescribed by the Chief Electoral Officer, showing the number of votes cast for each candidate at each polling station, and making such observations as the returning officer may think proper as to the state of the election papers as received from his deputy returning officers;
- (d) the statements of the polls from which the official addition of the votes was made;
- (e) the reserve supply of undistributed blank ballot papers;
- (f) the enumerators record books used in urban polling divisions;
- (g) the index books prepared by enumerators in rural polling divisions;
- (h) the revising officers' record sheets and other papers relating to the revision of the lists of electors in urban polling divisions;
- (i) the returns from the various polling stations enclosed in sealed envelopes, as prescribed by section 50, and containing the poll book used at the poll, a packet of stubs and of unused ballot papers, packets of ballot papers cast for the several candidates, a packet of spoiled ballot papers, a packet of rejected ballot papers and a packet containing the official list of electors used at the poll, the written appointments of candidates' agents and the used transfer certificates; and
- (j) all other documents used for the election.

(2) In case of such receipt of notice of recount the returning officer shall delay transmission of such return and report until he has received from the judge a certificate of the result of such recount, whereupon he shall transmit the same in manner hereinbefore directed.

(3) The returning officer shall forward to each of the candidates a duplicate or copy of the return to the writ made by him. Duplicate of return to each candidate

(4) A premature return shall be deemed not to have reached the Chief Electoral Officer until the same should have reached him in due course, and he shall, if circumstances so require, send back such return and any or all election documents connected therewith to the returning officer for completion or correction; the Chief Electoral Officer may, moreover, send back to the returning officer any return which does not comply in any respect with the provisions of this Act. If return is irregular

(5) The Chief Electoral Officer shall, on receiving the return of any member elected to serve in the House of Commons, enter it, in the order in which such returns received by him, in a book to be kept by him for such purpose and thereupon immediately give notice in an ordinary or special issue of the Canada Gazette of the name of the candidate so elected and in the order in which it was received, and shall also forward to the Comptroller of the Treasury a certified statement of the number of votes cast for each candidate in every electoral district, and when the Comptroller of the Treasury has satisfied himself that, pursuant to sub-section (14) of section 21, a candidate is entitled to the return of his deposit, the Comptroller of the Treasury shall return it accordingly. Notice of return in Canada Gazette
Statement to Comptroller of the Treasury
Return of deposit

(6) The Chief Electoral Officer shall, immediately after each general election, cause to be printed a report giving, by polling divisions, the number of votes polled for each candidate, the number of rejected ballots, the number of names on the list of electors, together with any other information that he may deem fit to include; and shall also, at the end of each year, cause to be printed a similar report on the by-elections held during the year. Reports by Chief Electoral Officer

Appendix 32.

(See paragraphs 16.3 & 16.11)

**EXTRACTS FROM CORRESPONDENCE PERTAINING TO THE
POLICY REGARDING THE SETTLEMENT OF INTER-
STATE WATER DISPUTES.****I. Extracts from note dated 10-5-1934 by M. W. Yeatts, Deputy
Secretary, Home Department**

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12. (x) *The treatment of rights in water*—The proposals of the India Office Note are for no recognition of property rights in water in the units and that disputes should be determined by a special tribunal. The covering letter to the Note suggested as a preferable forum the Governor-General with the assistance of a special expert tribunal, either standing or *ad hoc*. On this point we have sent a preliminary comment in our telegram No. 2628 of the 8th November 1933. We demurred to a complete non-recognition of property rights and suggested that those now enjoyed be recognized. For the determination of disputes we agreed that the Governor-General with the advice of a special tribunal was the best solution. Such a tribunal, we suggested, should be *ad hoc* and its recommendations, when accepted by the Governor-General, would be binding on all parties and not liable to be called in question in any proceedings of the Federal Court. We declared that every State-member of the federation should accept a constitutional provision of the type suggested for settlement of water disputes between units.

13. The two points for decision might be put as the recognition of proprietary rights and the mode of settlement of disputes. Of the first five Governments (Bengal, United Provinces, Bihar and Orissa, Central Provinces, and Assam) make no comment at all. Two (Bombay, and North-West Frontier Province) suggest no recognitions of proprietary rights in units. Madras take in effect the view set out in our telegram, namely, that existing rights should be recognized, while the Punjab go even further and demand a recognition of "vested rights for the future" by virtue of existing agreements. On the second point there is general provincial support for the Governor-General plus an expert tribunal as the preferable forum. Bombay and the United Provinces specifically condemn any introduction of the Federal Court as an unsuitable authority, whereas the North-West Frontier Province consider the introduction of the Governor-General undesirable and would prefer some arbitral council. Madras, on the other hand,

consider the Federal Court the natural authority. The objection to the Federal Court taken in the India Office Note arises from the expectation that the Court would apply common law principles which might have most inconvenient results in matters hitherto settled on grounds of expediency and convenience. Hence the suggestion for a special tribunal. Madras admits this but suggests that if the Constitution Act lays down that disputes on water rights shall be decided on the principles of apportioning supplies in the most equitable and economical manner its jurisdiction will be competent and satisfactory as well as natural.

The suggestion of a special tribunal is understandable, but there is much to be said for the Madras theory of making use of what normally public opinion in the country would look to as the natural forum. When they say, however, that prescription in the Constitution Act of the principles on which decision is to be based will keep the Federal Court on the right lines, they are, perhaps, unduly optimistic. The mere word "equitable" itself introduces doubts. How will the Court determine what is equitable? One would imagine by a reference to common law and other legal principles, precisely what it is considered important to avoid.

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II. Extract from letter No. P. & J.—3911/33, dated the 20th October, 1933, from the India Office London, contained in file No. 1007/34—Judl. 1934, to Home Department.

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I am to explain that, subject to the views which the Government of India may express, the Secretary of State thinks that most of the suggestions made in these notes are *prima facie* suitable and at the present stage only desires to comment on two points:—

(1) Suggested special tribunal for the decision of disputes regarding water rights.

While fully agreeing that it would be most undesirable to leave disputes of this kind to be settled by the Federal Court, he also sees some difficulty in relegating to a special tribunal the final decision on such matters which may raise very grave practical and political issues. He would like, therefore, the following suggestion to be examined. The Governor-General acting in his discretion to be empowered in the Constitution to settle inter-unit water disputes the nature of which would, of course, have to be defined to some extent in the Constitution, but the Governor-General before giving any such decision to be bound

by the Act to seek the advice of a special expert tribunal of the kind mentioned in the note. This might be either a standing body or an *ad hoc* body. Its appointment presumably might be left to the Governor-General himself.

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III. Extract of para 8 of the White Paper Proposals 130—135 in regard to the Constitutional provision pertaining the settlement of Inter-State Water Disputes.

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8. The problem of rights in water is, in the main, a question of the rights of units among themselves for we understand that whether by the operation of general legislation like the Northern Indian Canals Act or the operation of provincial legislation such as the Punjab Canals Act, the position between provincial Governors and private owners within the province is clear, but it is possible that there is no law of riparian ownership for the decision of inter-unit claims to water rights apart from such common law as courts have felt themselves entitled to apply. The problem may then be found to resolve itself into a question of whether or not we should settle the question of claims of units to share in irrigation supplies by a definition of proprietary right. It seems clear that not only the units but also the Federal Government will individually be so closely concerned with the disputes which may arise that a solution cannot be sought in the provision of a legislative authority in India. Thus the Federal Government owing to its financial interest in the Sukkur Barrage would not be an impartial authority in regard to any dispute between the Punjab and Bombay as to the use of this water. A dispute arose on this point between the two Governments some years back. The Federal Government also has interests arisen from its administration of Chief Commissioners' Provinces and in other ways. Hitherto the apportionment of the major water supplies of India has in case of dispute rested with the Government of India and the Secretary of State and the effort has been made to follow the principle of the Irrigation Commission that the supplies should be utilised where they are most needed and can be most profitably applied. In other words, the decision has been one of expediency rather than of right. A typical case was the grant of supplies from the Sutlej project

to Bikaner who had no riparian rights in the stretch of water. A similar case was the decision to close further supplies from rivers running into the Indus for use by the Punjab in the interests of the Sukkur Barrage. If the decision were left to the Federal Court considerations of this nature would apply and it might even happen that large areas now benefiting by canal schemes might have their supplies withdrawn by virtue of decisions based on the application of common law. It would seem advisable therefore to create a special tribunal for the decision of such cases whether between provincial Governments or State units, it being provided that this tribunal should endeavour to apportion supplies in the most equitable and economical way. If this tribunal were constituted under the Act then it would be necessary that acceding States should bind themselves to accept its decisions as part of the terms of acceding to the Federation. The matter is one which clearly requires discussion with the Government of India, but the point we wish to make at present in connection with the allocation of property is that we are not disposed to suggest any recognition of property rights in the units in irrigation supplies.

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IV. Extract from letter No. F. 160/33-R, dated the 7th December, 1933 from Home Department to all Local Governments.

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(x) *The treatment of rights in water*—The note contemplates no recognition of property rights in the units in irrigation supplies and the chief point for consideration is the best mode of settling disputes. An extract from the India Office letter forwarding the note is given below, which bears on this topic (Paragraph 8).

“While fully agreeing that it would be most undesirable to leave disputes of this kind to be settled by the Federal Court, he also sees some difficulty in relegating to a special tribunal the final decision on such matters which may raise very grave practical and political issues. He would like, therefore, the following suggestion to be examined. The Governor-General acting in his discretion to be empowered in the Constitution to settle inter-unit water disputes the nature of which would, of course, have to be defined to some extent in the Constitution, but the Governor-General before giving any such decision to be bound by the Act to seek the advice of a special

expert tribunal of the kind mentioned in the note. This might be either a standing body or an *ad hoc* body. Its appointment presumably might be left to the Governor-General himself."

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V. Extract from letter No. M.S.-268, dated the 17th March 1934, from the Government of Madras to Home Department, Government of India.

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(ix) *Treatment of rights in water*—The Madras Government would at the outset express their agreement to the suggestions in paragraph 8 of the India Office Note to the effect that—

- (i) No recognition of property rights in the units in irrigation supplies should be made in the Constitution Act, and that,
- (ii) in the matter of settlement of inter unit irrigation disputes the principle to be kept in view should be that the available supplies are apportioned in the most equitable and economical manner.

The Madras Government consider that the non-recognition in the Constitution Act of any specific abstract rights (to irrigation supplies) of the federating units will not have the effect of extinguishing or interfering with such rights as have been recognised between them in the past in agreements and treaties. Such agreements and treaties must be respected, but if any question as to their interpretation or their modification should arise, it should be adjudicated with due regard to the principle referred to under Item (ii) above which was what this Govt. had in mind stating, in paragraph (7) of their letter No. 429 (S. 12) Public (Special), dated 17th May 1933 (in connection with the examination of the lists in Appendix VI of the white Paper), that "such disputes are usually adjudicated in other federations on principles based upon international rather than municipal law."

The more difficult question however, is as regards the authority to whom inter-unit irrigation disputes in general should be referable for a binding adjudication in cases where the disputing units are unable to arrive at a mutual agreement between themselves. It is obvious that the tribunal in such cases should be independent of the disputing units and the Madras Government agree that for the reasons indicated in paragraph 8 of the India Office Note, the Federal Govt., *i.e.*, the

Federal Executive will sometimes not satisfy this condition. It would also be unusual in a Federal,—it would be opposed to the very idea of a Federal State—that inter-unit disputes or disputes between the Federal State and any of its units should be referable for decision to an authority outside the Federation itself. The choice for the tribunal lies therefore between the Federal Court and (as suggested in the extract from the India Office letter given in paragraph 2(x) of your letter under reply) the Governor General acting in this direction but on the advice of a standing or *ad hoc* body of experts whose advice the Governor General shall be bound to seek.

The objection urged against the Federal Court is that its decisions will be largely dominated by common-law doctrines relating to water rights, but this objection will, in the opinion of the Madras Government, be removed if the Constitution Act definitely laid down, as suggested in the India Office Note, that such disputes should be decided on the principle of apportioning supplies in the most equitable and economical manner. Further, the Federal Court will be an independent tribunal and its judicial character will add considerable weight to its decision, the impartiality of which will be beyond question; and in course of time the decisions of the Court on such disputes will create a body of precedents which will facilitate the decision of future disputes.

On the other hand, the alternative suggestion in the India Office letter extracted under paragraph 2(x) of your letter, involves the creation of a standing or *ad hoc* tribunal of experts and although the Governor General is only to seek its advice, there can be doubt that he will find it difficult not to accept its advice. The advice of *ad hoc* bodies not conversant with precedents may be conflicting on questions of general principle and the Governor General will consequently find himself in considerable embarrassment in dealing with individual cases. A standing advisory tribunal will not be open to the same criticism, but the Madras Government doubt whether there is sufficient justification for creating such a body where there can be no overwhelming objection to entrusting the function to the Federal Court. A federal Court is the recognised organ in a Federal Constitution for the settlement of inter-unit dispute; and, if, as provided in Proposal 155 of the White Paper, its jurisdiction is to be accepted by the units for the determination of all rights and obligations arising under the Constitution Act, the Madras Government see no sufficient reason why its

jurisdiction should be excluded in the case of irrigation disputes, provided that the Constitution Act enacts that such disputes should be settled with due regard to the principle already referred to.

On a full consideration of the matter, it appears to the Madras Government that the Federal Court should be the adjudicating tribunal in all disputes arising out of rights in water.

The Madras Government agree to the suggestion in paragraph 8 of the India Office Note that Indian States acceding to the Federation should bind themselves to submit to the jurisdiction of whatever tribunal may be decided on for adjudicating inter-unit irrigation disputes.

If Indian States submit to such jurisdiction, it does not appear that grave political issues are likely to arise.

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VI. Extract from letter No. R-236, dated the 3rd February, 1934 from the Government of Bombay to Home Department of Government of India.

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7. Paragraph 2(x) of the Reforms Office letter and paragraph 8 of the India Office Note.

This is an extremely complicated problem and requires to be tackled from the practical point of view. There appears to be no principle which limits the right of a Province to the use of water flowing through it nor does there appear to be any law of riparian ownership for the decision of inter-unit claims to water rights apart from such common law as Courts have felt themselves entitled to apply. On the other hand, the Provinces have enjoyed certain rights in respect of water being in or passing through their territories. The extent of provincial rights in water is nowhere defined and the question has become extremely complicated by reason of the fact that the apportionment of the water supplies has been made by the paramount authority on considerations of expediency rather than of right. If no provision is made in the Constitution the Units would probably resort to the Federal Court for the determination of their respective rights in water supplies. This is obviously undesirable on administrative considerations. Also, as the existing water supplies were not distributed according to any fixed principle it may be inequitable to recognise proprietary rights in

the Units in those supplies. The Government of Bombay, therefore, accept the view taken in paragraph 3 of the India Office note that there should be no recognition of proprietary rights in the Units in Irrigation supplies.

As regards the procedure to be adopted for the decision of such cases the Government of Bombay are inclined to the view that it would be most undesirable to leave disputes of this kind to be settled by the Federal Court or by a special tribunal of the kind suggested in paragraph 8 of the India Office Note. Having regard to the fact that the final decision on such disputes may involve very grave practical and political issues it appears on the whole advisable that the decision should be left to the Governor General who might be assisted by an expert body. The Governor General acting in his discretion might be empowered in the Constitution to settle inter-unit water dispute the nature of which may be defined, so far as may be practicable, in the Constitution Act but the Governor-General before giving any such decision should be bound by the Act to seek the advice of a special expert tribunal of the kind mentioned in the India Office Note. This might be either a standing body or an *ad hoc* body. Its appointment might be left to the Governor-General himself. The decision of the Governor-General should be final and conclusive in respect of the rights determined by him and should not be liable to be questioned before the Federal Court.

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VII. Extract from letter No. 176-R, dated the 6th February, 1934 from U.P. Government to Home Department, Govt. of India.

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(j) *The treatment of water rights*—In the United Provinces disputes regarding water rights either with adjacent states or other provinces have been fortunately uncommon, nor does it seem likely that they will arise more frequently under the new constitution. This Govt. agree that it would be very undesirable to leave such disputes to the decision of the Federal Court and accept the solution suggested in the letter from the India Office, quoted in the letter under reply that the Governor-General should be empowered to settle any inter-unit water dispute after obtaining the advice of a special expert Tribunal,

either a standing committee or a body especially appointed for the purpose by the Governor-General. This seems to the Local Government the most suitable method of dealing with such cases.

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VIII. Extract from letter No. 1928-R, dated the 3rd May, 1934, from Punjab Government to Home Department, Government of India.

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(x) With regard to irrigation supplies, the Punjab Government would insist on the recognition of its rights to all the supplies of which it has availed itself in the past or to which it has a vested right for the future by virtue of agreement with other local Governments or under the orders of the Government of India.

In particular, it has in mind the two important projects, the Haveli and the Bhakra, the supplies for which have been the subject of discussion for some years past with the Government of Bombay and with whom an agreement has recently been concluded as regards the withdrawals of water under these schemes.

Subject to the safeguarding of these rights there seems to be no objection to the proposal that disputes in regard to water should be dealt with by the Governor-General acting in his discretion with the advice of an *ad hoc* expert tribunal, provided that each of the contending parties should have the option of nominating its own representative on the tribunal. It is understood, of course, that the proposed arbitral procedure would be applicable only to disputes arising in the future after the new constitution comes into force, and that it would not be applied to the present disputes with Bahawalpur either now or in the event of this dispute dragging on even when the new constitution comes into force.

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IX. Extract from letter No. 281-P.C.-1256-VIII, dated the 30th January, 1934 from Government of N.W.F.P. to the Home Department, Government of India.

* * * *

(5) As regards paragraph 2(x) of your letter, it seems right that proprietary rights in irrigation supplies should not be recognised. As regards disputes it would appear best that some kind of administrative arbitral council should be entrusted with the matter. The Council would not, of course, be a Council of Experts, but it would hear experts from both sides. His Excellency the Governor-in-Council is doubtful of the wisdom of empowering the Governor-General, acting in his discretion, to settle such disputes, for it might easily expose the Governor-General, in his personal capacity as Viceroy, to criticism by the disappointed party in a dispute and this would have a most unfortunate effect.

* * * *

INTER-STATE WATER DISPUTES SETTLED

Serial No.	Name of dispute	States concerned	Main issues involved	Present position
1	2	3	4	5
1	Palar Water dispute	Madras and Mysore	Madras had complained that Mysore had violated the provisions of 1892 agreement relating to Palar river. The alleged violations were— (i) Raising of the full supply level of certain tanks in existence. (ii) Excess withdrawals from Bethamangalam tank; and (iii) Construction of a few tanks without prior concurrence of the Madras State.	Resolved in an inter-state meeting held in the presence of central government officials at Mysore in June July, 1956.
2	Tungabhadra Project high level canal	Mysore and Andhra Pradesh	Disputes on sharing of waters of the canal as also the cost of the common portion of this inter-state project.	Inter-state conference under Deputy Chairman, Planning Commission was held on 18-6-56. Mysore and Andhra Pradesh agreed to share the waters in the ratio of 35:65. Cost of common portion of the canal to be shared on cusec-mile basis. The canal is being constructed on the basis of this agreement.
3	Utilisation of Ravi-Beas waters	Punjab, Rajasthan and J & K	After partition, the Ravi and the Beas having been allocated for the exclusive use of India, the waters had to be allocated to the states concerned.	An inter-state conference was held in January, 1965. On the basis of available estimates made then allocation of waters was settled. Irrigation works are being planned and constructed on this basis.
4	Sharing of waters of the Subarnarekha river	Bihar, Orissa and West Bengal	Orissa Government proposed to divert the water of this river into the adjoining Burabalong basin with the construction of a weir at Kokpara located in Bihar, a little upstream of the inter-state border. Controversy on the yield available at the site and share of waters by the three states.	This was discussed in the Eastern Zonal Council meetings. A sub-committee headed by Member (W R), Central Water and Power Commission (CWPC) was appointed and in June, 1964, an agreement was reached which was approved by the Eastern Zonal Council.

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|--|----------------------------------|--|--|
| 5 Sharing of cost and benefits of Jamini Dam Project | Uttar Pradesh and Madhya Pradesh | Dispute on the extent to which the benefits of the dam could be provided to Madhya Pradesh and consequential share of cost. | Meeting at technical level under CW&PC was held in July, 1962 in which an agreement was reached. The state governments did not ratify it in view of the commitments involved. In April, 1965, another agreement was arrived at, which was ratified by the state governments. This is being processed for approval by the Planning Commission and for execution. |
| 6 Sharing of cost and benefits of Musakhand Project | Uttar Pradesh and Bihar | The Musakhand Project envisages the construction of an earthen bund 66·5' high and two miles long near village Musakhand in Varanasi District in Uttar Pradesh for storing about 5 TMC of water at a cost of Rs. 2·3 crores. 164 sq. miles and 403 sq. miles of the catchment area of the river Karamnasa lies in Bihar and Uttar Pradesh respectively. U.P. wanted to utilise the waters of Musakhand Project exclusively for that state. Bihar wanted a share of one third of the total yield from the catchment at Musakhand as it would not be possible to irrigate the adjoining area in the state from any other source except from Musakhand. | Inter-state meeting held under the auspices of the Ministry of Irrigation & Power in May, 1965, in which it was decided that the cost of construction of the dam and the maintenance cost should be shared equally between the two state governments. 2·25 TMC of water is to be provided to Bihar and 3 TMC of water to Uttar Pradesh from the dam. Bihar Government would bear the entire cost of construction of canals, if any, from Uttar Pradesh border towards Bihar. Bihar has ratified the agreement whereas Uttar Pradesh has not given the final approval, but the project is being completed on the basis of decisions taken already. |
| 7 Exploitation of the waters of the Mahi River | Gujarat and Rajasthan | The Mahi River rises in Madhya Pradesh and flows through Rajasthan and Gujarat before falling into the Gulf of Cambay. The total length of flow is about 360 miles through three states and the total catchment area is 13000 sq. miles. Three projects have been envisaged on this river out of which the first one Mahi Stage I is entirely in Gujarat. Mahi Stage II envisages the construction of a dam at Kadana and irrigation canals in Gujarat. The third project is the Bajaj Sagar Project at Banswara in Rajasthan involving the construction of a dam, a saddle dam, a weir, hydel canals and a net work of irrigation channels. | An agreement reached in an inter-state meeting with the Union Minister for I & P in Jan., 1966. The dispute which started in 1961 was settled in January 1966 after a number of meetings between the ministers and technical men in charge of irrigation and power at the centre and in the states. Decisions were arrived at regarding the height to which the Kadana dam and Banswara dam should be built and the sharing of waters and the cost of construction of the two dams. The allocation of cost between the two states has also been intimated to the Advisory Committee on irrigation, flood control, and power projects of the Planning Commission by the Ministry of Irrigation and Power. |

Appendix 33—contd.

1	2	3	4	5
		Gujarat wanted the Kadana dam to be built to impound 107 TMC of water in the reservoir but Rajasthan objected to this, as this would involve the submergence of a <i>dargah</i> at Galiaghot in Rajasthan. Gujarat Government, therefore, wanted a greater share of the waters from the Bajaj Sagar Project. The dispute centered round the height to which the Kadana Dam should be built up and the share of waters and cost of construction of the dam at Banswara.		

INTER-STATE WATER DISPUTES YET TO BE SETTLED

Serial No.	Name of the dispute	States concerned	Main issues involved	Present position
1	2	3	4	5
1	Krishna-Godavari waters dispute	Andhra Pradesh, Madhya Pradesh, Maharashtra, Mysore and Orissa	<p>Krishna and Godavari are two of the major rivers in India. The river Krishna which is about 870 miles long drains the territory in Mysore, Andhra Pradesh and Maharashtra. Bhima and Tungabadra are two tributaries of the river Krishna and are themselves major rivers. River Godavari is 910 miles long and drains the territory in Maharashtra, Andhra Pradesh, Mysore, Orissa and Madhya Pradesh. There are four principal tributaries of the river.</p> <p>During 1950-51 Bombay, Hyderabad, Madras and Madhya Pradesh were investigating and planning a number of large projects on the rivers and their tributaries. In order to consider the question of inclusion of some of these projects in the First Five Year Plan, the Planning Commission convened a meeting of the states concerned in July, 1951. An Agreement was arrived at among the states of Bombay, Hyderabad, Madras, Madhya Pradesh and Mysore on the utilisation of waters from these two rivers. Except Mysore, all the other states ratified the agreement. Orissa, a riparian state, was not invited to these meetings.</p>	<p>The following broad frame-work for solving this dispute has been adopted—</p> <p>(a) Comprehensive river flow data to be collected at a number of gauging stations over a number of years and analysed continuously;</p> <p>(b) Investigations to be carried out regarding diversion of Godavari waters to Krishna;</p> <p>(c) Projects already started and those contemplated in the immediate future to continue with safe margin and stipulations by the centres;</p> <p>(d) Comprehensive master plan to be prepared for the entire Krishna-Godavari basins.</p> <p>Discussions are to take place with the states again.</p>

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Subsequently, Madras was bifurcated into Andhra and Madras and as a result of the states reorganisation in 1956 the supplies of several projects got transferred from one state to another. The necessary adjustments worked out by the Central Water and Power Commission on the allocations of the rivers, on the basis of the changed situation of the projects were not accepted by the state governments. An inter-state conference was held in 1960 to resolve this problem. All the states, except Andhra Pradesh, asked for *de novo* consideration of the entire case. Mysore and Maharashtra requested the centre not to entertain the request for fresh commitments on Nagarjunasagar by Andhra Pradesh. Doubts were also raised about the 1951 agreement. It was finally decided that the 1951 agreement could not be enforced. A Technical Committee under the chairmanship of Shri N.D. Culhati, known as the Krishna Godavari Commission, was then set up in order to review the position in respect of the availability of supplies in the Krishna and Godavari rivers and to examine the suitability of diversion of water from the Godavari into Krishna. The Commission submitted its report in August, 1962 and suggested the following:—

- (1) The projects which have been undertaken by the state governments since 1961 should be revised to comply with the requirements of an integrated operation from the point of view of river supply.

- (2) A large number of new projects have been put forward by the state governments. Some are to be done jointly by the two state governments. Others sponsored by a state government would submerge large areas in the territory of another state. The third category of schemes are those which are put forward by different states and impinge on each other. A number of recommendations have been made by the Commission regarding the utilisation of waters of the two river basins by the state governments.
- (3) An inter-state body like a River Board should be established for bringing about a co-operative approach and establishing the necessary co-ordination in the planning and operation of various developments in the two river basins.
- (4) As non-availability of statistics was the main handicap to the work of the Commission and the collection of statistics is very essential, regular gaugings should be carried out at key sites on both the river systems for a number of years.

Several discussions have taken place with the representatives of the states involved but no concrete solution has yet been found.

Mysore and Maharashtra, at one stage, asked the centre to refer the dispute to a tribunal under the Inter-State Water Disputes Act and this was not acceded to by the Government of India.

The river Cauvery originates in Mysore, and flows through the states of Mysore and Madras before falling into the Bay of Bengal. Some portion of the three western tributaries of the river lies in the present state of Kerala. In 1924, an agreement was arrived at between the Governments

In spite of the disputes developmental activities have not been held up. Reports for new project in the basins are scrutinised and passed as and when received.

2	Cauvery Waters	} Madras, Mysore and Kerala
3	East and West flowing rivers in Kerala	

1	2	3	4	5
			<p>of Madras and Mysore over the construction of dams across the river. The then princely state of Travancore was not a party to this agreement although a portion of catchment area of the tributaries of the river lay in that state (present Kerala).</p> <p>After reorganisation of the states in 1956, Kerala claimed some water from Cauvery and wanted a River Board to be set up but the Government of Madras and Mysore were against such a step. Mysore is anxious to review the agreement of 1924 with Madras. The Southern Zonal Council set up a Committee of Chief Ministers of the three states to resolve this under the guidance of the Union Minister for Irrigation and Power. Owing to the absence of a popular government in Kerala, this could not be resolved. Successive Governors of Kerala had felt that this should be discussed only after a popular government has come into existence in Kerala.</p>	
4	Narmada Waters dispute	Gujarat, Madhya Pradesh, Maharashtra and Rajasthan	<p>The Narmada river rises in Madhya Pradesh and falls into the Gulf of Cambay after flowing 815 miles through Madhya Pradesh, Maharashtra and Gujarat. The total catchment area is about 38,000 sq. miles out of which the major portion lies in Madhya Pradesh. The river Narmada has a considerable irrigation and power potential and the dispute has been about the extent to which each state should share the benefits. Linked with this general dispute is the height to which the terminal Navagam dam in Gujarat on the main Narmada river should be constructed. Besides, Rajasthan which has no</p>	<p>The various recommendations contained in the Khosla Committee report were discussed in an Inter-state conference at technical level in August, 1966. Agreement was reached on the quantum of yield of the river for allocation among the contending states. Further action is being taken to allocate shares.</p>

legal claim on the waters of this river is demanding Narmada waters on the plea that it has no other water resources.

In view of the highly technical issues involved the Government of India appointed a committee under the Chairmanship of Dr. A. N. Khosla. The Committee submitted its report in September, 1965.

- 5 Tungabhadra Project Andhra Pradesh and Mysore

Issues other than the high level canal referred to in Appendix 33 at S. No. 2 :—

- (i) Division of assets and liabilities of the common portion of the low level canal.
- (ii) Sharing of power benefits from Munirabad power house.
- (iii) Final sharing of the waters at the reservoir, etc.

To be discussed by the State Chief Ministers.

Many petty issues resolved in five inter-state conferences at minister's level.

- 6 Extension of Irrigation from the Rangwan Dam of Uttar Pradesh Uttar Pradesh and Madhya Pradesh

The Rangwan dam lies in Madhya Pradesh territory which supplements irrigation under Ken canal system of Uttar Pradesh. Major portion of the river basin lies in Madhya Pradesh which approached the Uttar Pradesh government for extension of irrigation facilities from this dam to its areas through a suggested new high level canal. Uttar Pradesh did not agree to this on the plea that supplies were inadequate for itself. This question was considered in 1963 in the Central Zonal Council, which set up a committee of chief engineers under the Chairman, Central Water and Power Commission to advise the Council.

Two meetings of the technical committee took place when certain decisions were taken. Correspondence went on and an agreement has now been arrived at. Ratification of this agreement by the two state governments is awaited.

- 7 Koymani River dispute Bihar and West Bengal

The river Koymani is a tributary of the river Fuleswar and runs through Bihar and West Bengal. Its waters have all along been used by the people in Bihar and West Bengal for cultivating 'Boro' a type of paddy. This is the only crop cultivated during the year in that area. The dispute is over the construction of a bund across the river Koymani by Bihar Government. West Bengal objected to the construction of such a bund as it would deprive the cultivators in Bengal of the river water.

The centre agreed to set up an inter-state committee under Central Water and Power Commission. Technical details were called for. Bihar supplied the requisite information; West Bengal which made the original complaint is yet to supply the data.

Appendix 34 —concl'd.

1	2	3	4	5
			An attempt was made to resolve this dispute by a joint inspection by the chief engineers of the two states but no agreement could be arrived at. West Bengal referred the matter to the centre for mediation.	
8	Keolari Nadi waters	Madhya Pradesh and Uttar Pradesh	8.5 sq. miles of catchment area of the river Keolari is in Uttar Pradesh and 11.5-sq. miles in Madhya Pradesh. Uttar Pradesh Government made a project for Keolari Tank and wanted the Madhya Pradesh Government to supply additional waters for the Keolari Tank in Uttar Pradesh over and above the waters of 1.7 sq. miles of catchment area in Madhya Pradesh. Madhya Pradesh has not agreed to this request and the dispute was referred to the centre by Uttar Pradesh.	Uttar Pradesh submitted technical details to Central Water & Power Commission, Madhya Pradesh Government, however, said that the dispute was being discussed between the ministers of Uttar Pradesh and Madhya Pradesh. There is no further progress in this case.
9	Bandar Canal Project	Uttar Pradesh and Madhya Pradesh	The dispute is over the construction of the canal in Madhya Pradesh area and on the cost and maintenance of the canal. Technical agreement was reached between the chief engineers of the states in April, 1965. In the interest of early execution it has been decided that the remaining works are to be executed by the Madhya Pradesh Government engineers chargeable to Matatilla Project, a joint venture by the two state governments, and the maintenance to be looked after by them.	This agreement has not been ratified by the government of Uttar Pradesh.

Appendix 35

(See paragraph 17.5)

**EXTRACTS FROM SARDAR PATEL'S SPEECHES AT THE
PREMIERS' CONFERENCE OF 1946**

21st October, 1946

Now the first question that arises for our decision is whether we are all agreed that there should be a Central Service. You all know that recruitment was stopped during the period of the war and the Secretary of State has already announced that no more recruitment to the Services will be made due to the constitutional changes that are taking place in this country and that power has to be transferred from the British to Indian hands. So India has to make its own arrangements for its efficient administration and for that purpose the question to be decided by us is whether we want a Central Administrative Service.

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What is to be done for the future? We have to form a service for our future administration which should be either Central, as in the present form, or a Provincial Service which Provinces would like to form themselves. My own opinion and the opinion of all of us in the Interim Government, I have discussed this problem with my colleagues and they are all of the same opinion that it is advisable to have a Central Service. Of course, the place of the Secretary of State will be taken by the Government of India and you will all recognise and agree that some sort of guarantee of security is essential if we want to have a good and efficient service. It would be easy to devise methods by which questions regarding their strength, their tenure, their pay scale and also discipline and other incidental questions could be settled by discussion, but the first essential question is to decide whether you all agree to this proposition that there should be a Central Administrative Service, so far as the I.C.S. is concerned. We shall consider the question of the Police Service separately. As I have told you we are all agreed that it is advisable to have such a Service. Except for the control of the Secretary of State, which can be replaced by the control of another Indian agency and for the difference in the scale of pay,

there should be equally good guarantee of security; the question of discipline and other incidental matters will be considered in such a way that the service might feel happy and contented and may not be at the mercy of changing parties or changing conditions in the country; the service must not have to participate in the activities of any political party or other party. I would therefore suggest that you consider this question first. My own view, as I have told you, is that it is not only advisable but essential, if you want to have an efficient service, to have a Central Administrative Service in which we fix the strength as the Provinces require them and we draw a certain number of officers at the Centre, as we are doing at present. This will give experience to the personnel at the Centre leading to efficiency and administrative experience of the district which will give them an opportunity of contact with the people. They will thus keep themselves in touch with the situation in the country and their practical experience will be most useful to them. Besides, their coming to the Centre will give them a different experience and wider outlook in a larger sphere. A combination of these two experiences should make the Service more efficient. They will also serve as a Liaison between the Provinces and the Govt. and introduce certain amount of freshness and vigour in the administration both of the Centre and the Provinces. Therefore, my advice is that we should have a Central Service.

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22nd October, 1946

So now the business of the conference is over. I think we have done good work in a short time and I congratulate you all on the manner in which the business was conducted and thank you for the help you have given us in formulating these proposals. I would make one appeal in the end. All our decisions have been unanimous leaving one or two provinces who have taken a view which probably is not, in my opinion, well considered. But when the whole scheme is completed they will themselves fall in line with our proposals because in a large measure their proposals have been practically accepted. The real and crucial point in our discussion where differences arise is the question of control of the service. You all have good deal of experience in administration and you naturally feel the difficulty that you have experienced in the course of your administration in securing the loyalty

of service to a certain extent under present conditions. I do not claim to have that experience but I do claim to have experience of controlling the outside parties which give you trouble in the running of your administration and I also know as one who was entrusted with the, say, supervision and guidance of almost all the ministries in the country except two or three. As Chairman of the Parliamentary Board I have also had considerable experience in watching the administration that you have been conducting and the difficulties you have been experiencing and have been giving advice wherever it was necessary to make your work easy or light. From my experience I tell you that if you take this control which you propose to take—control of the services in the matters of discipline—I do not believe this would be helpful. There are parties and cliques outside which always, if you have got the power, put pressure on you to take action against an officer who is not willing to accept suggestion made by them which are not always wise you will lay the services open to many influences which are very undesirable. Therefore, before we came to a decision on this question in the Interim Government, we shall have to consider all these questions but I ask you also to consider this question, with your colleagues after you leave the conference. What I have suggested is a very useful guide and is advice in the interest of both the services and of those who have to take work from the services. We are to look for one thing only: that is the efficiency of services. We must look to the efficient administration of the future. How are we to secure it? Not by having a control over the services in the sense in which you are anxious to secure it but a real impartial control of the services which will give complete security to services, the provinces and to the people. Now they work under different circumstances. There are checks and counter-checks provided for them, they are not in touch with the people and the surroundings and the atmosphere are different. Some of them are living and feel like foreigners. In the areas where they live they do not mix with the people. They naturally wanted checks and counter-checks. Perhaps from their own point of view they were justified. In present conditions they must come in contact day and night with the people and cannot escape the influence that will move them or by which they will be affected. Democracy in India is in its infant stage. We have not yet created that public opinion or our level of public opinion has not risen to such an extent as would justify leaving our services to the influences outside. I would therefore ask

you to consider this question again carefully when you go. Of course all your views will be placed before the Interim Government. But as I told you, many of us, almost all of us, have considered this question in the Interim Government and we unanimously came to the conclusion that the only way to secure an efficient service is to give them protection from influences which will corrupt them. It would put temptations in their way and open a way to sycophancy and flattery. We shall consider this question and we shall consider your recommendations. But I appeal to you again to consider this question again. Except in the matter of control we are agreed on all points. Bengal and the Punjab want the same training; the same uniform scales; the same rules of leave and pension and about discipline also they want to have the reference made to the Federal Public Service Commission. There is very little difference and I think that difference will disappear. In fact, therefore, all our recommendations are unanimous and we may well take credit for coming to decisions which are vitally important to the future administration of the country. I thank you all once again for responding to my invitation at a short notice and giving your help and cooperation.

Extracts from minutes of Conference

The reason which prompted the decision in favour of an All India Administrative Service was mutual advantage both to the Centre and the Provinces. It would facilitate liaison between the Centre and the Provinces, ensure a certain uniformity in standards of administration and maintain the central administrative machinery in touch with realities. The provincial administrative machinery would on its part acquire a wider outlook and obtain the best material for the higher posts. The Home Minister emphasised that there was need for ensuring contentment and security in the Services and for seeing that the Services were free from communal or party bias.

Appendix 36

(See paragraph 17.19)

QUANTITATIVE AND QUALITATIVE ANALYSIS OF CANDIDATES TAKING THE IAS ETC. EXAMINATIONS

1. The figures of the total number of graduates (other than professional) turned out by the universities from 1960 to 1964 broken down classwise are as follows:—

Year					Total No. of graduates turned out	1st class	2nd & 3rd classes (combined) (Break-up not available)
1960	..	..	..	..	99,967	7,370	92,597
1961	..	..	..	..	1,13,646	7,526	1,06,120
1962	..	..	..	..	1,21,822	8,594	1,13,228
1963	..	..	..	..	1,55,516	6,491	1,49,025
1964	..	..	..	..	1,59,220	9,333	1,49,887
Total No.				..	6,50,171	39,314	6,10,857
Average No.				..	1,30,034	7,863	1,22,171

The annual average for this block of 5 years in respect of the total number of graduates turned out by the universities comes to 1,30,034 as against the annual average of 47,683 during 1950 through 1955. The annual average for the first class graduates during 1960-64 was 7,863 against 1,907 for 1950-55. This brings into bold relief the facts that the total number of graduates have increased manifold—the annual average has almost trebled—and that the annual average of the first class graduates during 1960-64 has increased more than four times compared to the period 1950-55. In terms of percentage, while in the first block the average of those who used to get first class in the university examinations was 4% it was 6% in the latter block. (The annual percentage figures for the second block are 7.4%, 6.6%, 7%, 4.2% and 5.9% for 1960, 1961, 1962, 1963 and 1964 respectively). This shows the number of 1st class graduates being turned out by the universities is larger, absolutely and proportionately. The decline in the number of first class graduates appearing for the competitive examination cannot be attributed to any general decline in the number of first classes produced by the universities.

2. The table below gives the figures of 1st class graduates who actually appeared in the competitive examinations during 1959—64 and also the ratio it bears to the number of vacancies filled.

Year	Total number appeared in the Combined Competitive examination	No. of 1st class graduates appeared	No. of vacancies filled	Ratio between (4)(a) & (3)	Ratio between (4)(b) & (3)
1	2	3	4	5	6
Total IAS					
			(a)	(b)	
1959 ..	6,572	818	213	73	1 : 3.8
1960 ..	5,873	749	274	87	1 : 2.7
1961 ..	5,659	712	314	99	1 : 2.25
1962 ..	5,391	636	313	96	1 : 2
1963 ..	4,282	480	322	115	1 : 1.5
1964 ..	4,005	457	367	128	1 : 1.25

It is found that despite an increase in the total number of graduates passing out of the universities in India during the period 1960-64 the number of applicants for the combined competitive examination and the total number of first division candidates actually appearing in the examination has gone down considerably. During the same period the number of candidates recommended for appointment to the all-India and central services has increased from 274 to 367, the increase for the IAS/IFS being from 87 to 128. In 1959, for every, vacancy in the IAS, 11 first class graduates applied (as against an average of 14 in the period 1950-55) and this number has come down to 3 by 1964.

3. The annual average of graduates who took the IAS etc. examination, broken up into the various classes, during 1950-55 was as follows:—

1st Class	2nd Class	3rd Class	Total
555	1,766	1,150	3,471

The annual average of 1st class graduates given above *i.e.* 555 works out to 29.1% of the total annual average of the first class graduates (*i.e.* 1,907) turned out by the universities during the same period. The annual average of the first class graduates who took the examination during 1960-64 was 606 which works out to about 8% of the total annual average of the first class graduates (*i.e.* 7,863) turned out by the universities during the same period. This shows that there has been a tremendous growth in the percentage of first class graduates who are not willing to take the examination. Though the annual average in

the second block has registered a numerical increase of about 51 (606-555=51) the proportion expressed in terms of percentages does not show a corresponding rise because the annual average of total number of first class graduates in the second block has registered about a four-fold increase *i.e.* from 1,907 to 7,863. With other avenues of employment opening up the earlier proportions could and should not have been kept up. The decline, however, has been sharp and it is not the fact of decline but its extent that gives cause for concern.

4. In the last four years there has been a proportionate decline in the talented material coming to the universities for graduation. Much of this material, after making its choice at the secondary stage, is siphoned off to the technical sphere.

Thus about 350 to 400 top students go to the various institutes of technology per year. Once these young people choose and branch off to technical career, they almost reach a point of no return and are lost to the generalist service. The technical spheres assure better emoluments (in the private sector) and, more important, certainty of respectable employment. On the other hand, uncertainty of career prospects, if one takes up the general line, is a deterrent to the young student who has to make up his mind irrevocably at an early stage. This is one of the most important reasons why more and more young people are now going after technical education and specialised professions as will be evidenced from the following statement of technical graduate produced during 1955-64:—

Year	Medical	Engg. & Technology	Agriculture	Veterinary	Total
1955 ..	2743	4017	886	268	7914
1956 ..	2732	4337	808	322	8189
1957 ..	2802	4233	994	509	8528
1958 ..	2859	4571	1387	591	9408
1959 ..	3119	4478	1700	801	10098
1960 ..	3387	5703	2090	831	12011
1961 ..	3900	7026	2612	858	14396
1962 ..	3946	8426	2912	988	16272
1963 ..	4289	9120	4099	Not available	17508*
1964 ..	4452	9456	4731	1149	19788

*Excluding veterinary.

Whatever good quality general students remain have necessarily to be distributed all over the country amongst private sector, the Government undertakings and the generalist services. The private sector has been a keen competitor in catching the best talent produced by the universities.

Appendix 37

(See paragraph 17.38)

TABLE SHOWING THE DIVISION-WISE AND SUBJECT-WISE BREAK-UP OF THE EMERGENCY COMMISSION/SHORT SERVICE COMMISSION OFFICERS APPEARING IN THE IAS ETC. EXAMINATION, 1966.

		Pure Arts and Science (including Commerce and Law)	Engineering	Agriculture	Medicine (including B.Sc.)	Total
1st Class	..	4	2	..	1	7(2%)
2nd Class		109	1	7	1	118(34.5%)
3rd Class	..	215	..	1	1	217(63.5%)
		328	3	8	3	342

The number of vacancies to be filled in the IAS, IFS, IPS and other Class I Central Services on the basis of this examination is more than 70. The number of vacancies reserved in the IAS alone is 20.

The rational concession that could have been granted to the released EC/SSC officers would have been one of relaxation of upper age limit only without lowering the standard of the examination and requiring them to compete with the other open market candidates.

Appendix 38
(See paragraph 17.50)

UTILISATION OF CENTRAL DEPUTATION QUOTA

State	Sanctioned strength	Proportionate strength	Utilisation		Total	Imbalance w.r.t.		
			Senior scale	Supertime scale		(2)	&	(3)
1	2	3	4	5	6	7		
Andhra Pradesh	37	33	14	12	26	+11		+7
Assam ..	32	20	7	7	14	+18		+6
Bihar ..	37	36	18	23	41	—4		—5
Delhi & H. P.	16	9	1	1	2	+14		+7
Gujarat ..	34	26	10	11	21	+13		+5
Jammu and Kashmir ..	10	4	2	..	2	+8		+2
Kerala ..	16	14	4	5	9	+7		+5
Madhya Pradesh	39	36	16	14	30	+9		+6
Madras ..	34	28	11	13	24	+10		+4
Maharashtra ..	39	34	15	16	31	+8		+3
Mysore ..	28	22	15	8	23	+5		—1
Orissa ..	33	27	11	13	24	+9		+3
Punjab ..	32	32	17	9	26	+6		+6
Rajasthan ..	28	26	23	2	25	+3		+1
Uttar Pradesh	61	53	41	61	102	—41		—49
West Bengal ..	33	29	16	11	27	+6		+2

*Proportionate strength has been calculated with reference to the number of officers in position in the cadre i.e. if the sanctioned cadre strength were what the actual strength of officers is.

Appendix 39

[See paragraph 19.9(4)]

STATEMENT GIVING SOME CONFERENCING DATA

Serial No.	Name of the Conference	Date on which held	Date of issue of notice of the meeting	Date on which issued	agenda notes
1.	Conference of State Food Ministers	23-2-64	12-2-64	18-2-64 (2 items) 19-2-64 (2 items)	1 item circulated on the day of meeting.
2.	Food Conference of Chief Ministers	24-6-64 26-6-64	17-6-64		distributed on the eve of the meeting in New Delhi.
3.	Conference of State Chief Ministers	26-10-64	9-10-64	25-10-64.	
4.	Chief Ministers' Conference (Ministry of Home Affairs)	29-10-64	21-10-64		Presumably distributed in that week.
5.	National Development Council	5-9-65 6-9-65	30-8-65		Sent piecemeal on 16-7-65, 23-7-65, 26-8-65, 30-8-65 and 1-9-65.
6.	Conference of Chief Ministers (Ministry of Home Affairs)	8-11-65	27-10-65	3-11-65 5-11-65	
7.	Chief Ministers' Conference	16-11-65	Not available	14-11-65	
8.	Conference of Chief Ministers (Deptt. of Cabinet Affairs)	19-7-66	6-7-66	18-7-66	
9.	National Development Council	20-8-66 21-8-66	Not available.	11-8-66.	Some chapters were sent on 12-8-66 and the rest on 13-8-66.
10.	Chief Ministers' Conference	8-4-67 9-4-67	17-3-67	1-4-67	
11.	Conference of the Chief Ministers and Finance Ministers of the states (Ministry of Finance)	10-4-67 11-4-67	23-3-67	7-4-67	

ITEMS INCLUDED IN THE AGENDA FOR A FEW SELECTED MEETINGS OF CHIEF MINISTERS AND STATE MINISTERS

Serial No.	Conference	Items of agenda	Nature of issues involved
1	2	3	4
1	State Finance Ministers' Conference (7-11-63)	1. Sales tax, progress of collections, improvements in procedures, measures for preventing evasion.	Super-departmental
		2. Market borrowings whether centralised or decentralised, guaranteeing by state governments of loans raised by other bodies.	Do.
		3. Provision for debt redemption, setting up of sinking funds	Do.
		4. Property tax on appreciation of values	Do.
		5. Returns on investments in irrigation projects	Do.
		6. Electricity rates	Departmental
		7. Problems of economic growth	Do.
		8. Social security measures	Do.
		9. Slum clearance schemes	Do.
2	Conference of State Food Ministers (23-2-64).	1. Licensing control on foodgrains dealers	Do.
		2. Taking over of rice mills under state control	Do.
		3. Procurement of rice	Do.
		4. Problems of price stabilisation in 1964	Do.
		5. Sugar production	Do.
3	Chief Ministers' Conference (24-6-64).	1. Vigilance Commissions for states	Do.
		2. Lotteries and raffles	Do.
		3. Central financial assistance to victims of communal disturbances.	Do.

Appendix 40—contd.

1	2	3	4
		4. Amendment to the law of elections in respect of ceiling on election expenses.	Super-departmental
		5. Separation of judiciary from the executive	Do.
		6. Recruitment policy in public undertakings	Do.
		7. Introduction of a provision in the recruitment rules making future entrants to engineering and medical services posts under state governments liable to service in the Armed Forces or on work connected with defence.	Do.
		8. Arrangements for manpower planning at the state level ..	Do.
		9. Central Security Force for industrial undertakings ..	Do.
4	Food Conference of Chief Ministers (24—26-6-64).	1. Measures to deal with food situation	Do.
		2. Measures for increasing agricultural production	Do.
		3. Problems relating to the intensive agricultural district programme.	Departmental
		4. Special development programmes for poultry, fishery, livestock and horticulture.	Do.
5	Conference of State Chief Ministers (26-10-64)	1. Review of food situation.	Do.
		2. Implementation of foodgrains policy 1964-65	Do.
		3. Food policy for 1965	Do.
		4. The system of distribution	Do.
		5. Revision of issue prices for wheat and rice	Do.
		6. Policy regarding food grants	Do.
		7. Establishment of Foodgrains Corporation of India	Do.
		8. Review of position regarding sugar	Do.
		9. Edible oils and oilseeds policy in 1964-65	Do.
6	Conference of State Ministers of Community Development and Panchayati Raj (July 1965).	1. Review of action taken on the important recommendations of the previous Conference (1964).	Do.
		2. Panchayati raj	Do.

	(i) Scope, content and approach	
	(ii) Mode of elections	
	(iii) Finances	
	(iv) Audit	
	(v) Incentives and safeguards	
	(vi) Administrative relationships.	
	3. Panchayati Raj co operation and mobilisation for production programmes	Departmental
	4. Training and education	Do.
	5. Youth and women	Do.
	6. Rural Manpower Programme	Do.
	7. Weaker sections	Do.
	(i) Tribal development blocks	
	(ii) Other weaker sections of the village community	
	8. Applied nutrition programme	Do.
	9. Administrative problems	Do.
	(i) Permanency of block staff	
	(ii) Weeding out of unsuitable staff	
	10. Community Development in the Fourth Plan	Super-departmental
7 Chief Ministers' Conference (16-11-65)	1. Review of food and scarcity situation and measures necessary to meet it.	Do.
	2. Report on the Foodgrain Policy Committee 1966	Do.
8 Conference of State Chief Ministers. (9-10-4-66)	1. High yielding varieties programme 1966-67	Do.
	2. Requirements of fertilisers and pesticides	Do.
	3. Requirements of seeds for the high yielding varieties programme.	Do.
	4. Administrative set-up necessary for the high-yielding varieties programme.	Do.
	5. Centre-state liaison for better implementation of agricultural production programmes.	Do.
	6. Need for integration of Agricultural, Co-operation and C. D. Departments in the states.	Do.
	7. Agricultural credit	Do.

Appendix 40—contd.

1	2	3	4
9	Conference of State Chief Ministers. (19-7-66)	1. Economy in government expenditure, price control including opening of departmental and consumer stores.	Departmental
		2. Agreed discipline in the matter of state borrowings from the R.B.I. and on deficit financing.	Super-Departmental
		3. Food supply position	Do.
		4. Law & order situation	Do.
10	Conference of State Ministers of Information. (20/21-7-66)	1. Important publicity campaigns	Do.
		(a) All media publicity for food and family planning.	
		(b) Campaign on the food front.	
		(c) Family planning.	
		(d) National savings.	
		(e) Export promotion.	
		(f) National integration.	
		(g) Pre-election publicity.	
		(h) Plans, patterns and resources for effective co-ordination between centre and states.	
		(i) Border publicity.	
		(j) Publicity for the Armed Forces.	
		2. Broadcasting.—	
		(a) The role of radio in national campaigns	Do.
		(b) Rural broadcasting system, community listening scheme, supply of battery packs and expansion of community listening facilities.	
		(c) Radio rural forums	Do.
		(d) Women's listening clubs in rural areas	Do.
		(e) Association of state governments with special programmes of A.I.R.	Do.

3. Press—

(a) Plan publicity	Departmental
(b) Publicity in Indian languages	Do.
(c) Exchange of releases, reports and documents	Do.
(d) Diwakar Committee's recommendations	Super-departmental
(e) Offices of the Bureau at Manipur and Tripura	Do.
(f) Teleprinter link with Imphal	Do.
(g) Information centres	Do.
(h) News digest for Nagaland	Do.
(i) Production of publicity material in regional languages	Do.
(j) Verification of circulation claims	Do.
(k) Working of central and state press advisory committees	Do.

4. Films—

(a) Scheme for enlisting co-operation of film industry	Do.
(i) Setting up of new cinema houses	Do.
(ii) Provision of essential spare parts, studio equipment and cinematograph machinery.	Do.
(iii) Rationalisation of entertainment and other taxes	Do.
(iv) Institution of producers' fund	Do.
(b) Improvement in the quality of documentaries.. .. .	Do.
(c) Co-ordination of the film production and distribution programmes of the state governments and the films division.	Do.
(d) Production of regional newsreels	Do.
(e) Supply of G.P.P. Films and newsreels to state governments.	Do.
(f) Release of documentaries produced by state governments on all-India circuit.	Do.
(g) Films produced on cost-sharing basis	Do.
(h) Documentary units for Union Territories	Do.
(i) Dubbing of documentary films in tribal languages	Do.

Appendix 40—contd.

1	2	3	4
		(j) Raw stock of colour films	Departmental
		(k) Inter-state films festivals	Do.
		(l) Role of feature films in modern India	Do.
		(m) Ban on indecent film posters	Do.
		(n) Framing of model cinema regulations	Do.
11	Conference of the State Ministers of Co-operation. (11-10-1966)	1. Review of the progress of distribution of co-operative credit for the high-yielding varieties programme in Kharif 1966.	Do.
		2. Review of the implementation of the crop loan system ..	Do.
		3. Review of the programme of revitalisation of primary credit societies.	Do.
		4. Strengthening of the resources of co-operative credit structure.	Do.
		5. Scheme of outright grant to special bad debt reserves of co-operative banks and societies.	Do.
		6. Programme for consumer co-operatives in the urban areas ..	Do.
		7. Scheme for enlarging the programme of distribution of consumer articles in rural areas.	Do.
		8. Review of the progress in implementation of schemes assisted by the Agricultural Refinance Corporation.	Do.
12	Conference of Chief Ministers. (8/9-4-67.)	1. Review of the food situation by the Minister	Super-departmental
		2. Review of the food situation and measures necessary to deal with it.	Do.
		3. National Food Budget and determination of procurement targets for 1967.	Do.
		4. Procurement prices for Rabi foodgrains	Do.
		5. Language problem	Do.
		6. Administrative Reforms Commission's Report on Lok Pal and Lok Ayukt.	Do.

13 Conference of Labour Ministers. (9-5-67.)	1. Recognition of Unions and rights of recognised and unrecognised Unions.	Departmental	
	2. Reference of wage disputes to adjudication during pendency of Wage Board.	Do.	
	3. Present practice of consultation with the centre before reference to adjudication by state governments in disputes in central public undertakings.	Do.	
	4. Policy regarding 'gherao', stay in strike, obstruction to removal of finished goods from factories.		Super-departmental
	5. Industrial truce resolution and code of discipline—need for close observance by employers and trade unions.		Do.
	6. Policy towards rationalisation and other steps which may not interfere with existing employment or terms of service or work load but which might affect future employment potential.	Do.	
	7. Uniform policy and steps throughout the country in the matter of closure, retrenchment, lay off etc.		Do.
	8. Amendment of the Indian Trade Unions Act,		Do.
	9. Amendment to Sections 10, 20, 19 of the Bonus Act, 1965 ..		Do.
	10. Amendment to the Industrial Disputes Act, 1947 ..		Do.
	11. Reconsideration of provision for exemption under Section 17 (1) of the Employees' Provident Fund Act, 1952.		Do.
	12. Application of Labour Laws to agricultural labour ..		Do.
	13. To request the Central Government to share with the state governments the expenditure incurred on enforcement machinery in charge of central labour laws and implementation of labour policy laid down by the Central Government in ratio of 60 : 40 on the analogy of expenditure incurred on schemes relating to employment and establishment charges by Central and state governments.	Do.	

Appendix 41

(See paragraph 20.7)

NAMES OF PERSONS CONSULTED BY THE STUDY TEAM

1. Shri C. D. Deshmukh
2. Shri R. K. Khadilkar, M.P., Deputy Speaker, Lok Sabha
3. Shri K. M. Munshi
4. Shri Nath Pai, M.P.
5. Dr. Karni Singh, M.P.
6. Shri H. V. Patskar
7. Shri K. Santhanam
8. Shri B. Shiva Rao
9. Shri B. Venkatappiah
10. Shri K. V. K. Sundaram, Chief Election Commissioner
11. Shri P. N. Kripal, Secretary, Ministry of Education
12. Shri D. P. Anand, Chairman, Central Water and Power Commission
13. Shri T. A. Varghese, Vigilance Commissioner and Planning Adviser, Government of Madras
14. Dr. I. G. Patel, Chief Economic Adviser, Ministry of Finance
15. Dr. K. S. Krishnaswamy, Economic Adviser, Planning Commission
16. Shri B. S. Nag, Adviser (I&P), Planning Commission
17. Shri K. K. Dass, Chief Secretary, Uttar Pradesh
18. Shri Rajendra Lal, Secretary, Union Public Service Commission
19. Shri P. S. Subramanian, Deputy Election Commissioner
20. Shri P. K. Dave, Joint Secretary, Ministry of Home Affairs
21. Shri Saran Singh, Joint Secretary, Department of Agriculture
22. Shri G. Jagatpati, Joint Secretary, Ministry of Home Affairs
23. Shri A. R. Shirali, Joint Secretary, Department of Economic Affairs.
24. Shri S. Dutt, Joint Secretary, Department of Co-ordination
25. Shri K.A.P. Stevenson, Joint Secretary, Planning Commission

26. Shri Anil De, Joint Secretary, Department of Rehabilitation
27. Shri P.R. Ahuja, Joint Secretary, Ministry of Irrigation and Power.
28. Shri K. Ramamurthi, Joint Secretary, Department of Agriculture
29. Shri M. Ramakrishnayya, Joint Secretary, Department of Social Welfare
30. Shri L. O. Joshi, Joint Secretary, Ministry of Education
31. Shri P. Sabanayagam, Joint Secretary, Ministry of Iron & Steel
32. Shri B. B. Vohra, Joint Secretary, Department of Agriculture
33. Shri N. S. Pandey, Joint Secretary, Administrative Reforms Commission
34. Shri L. S. Chandrakant, Joint Educational Adviser, Ministry of Education
35. Shri J. S. Basur, Former Chairman, Punjab Public Service Commission
36. Shri Ved Prakasha, Secretary to Minister for Education
37. Shri S. S. Puri, Secretary, National Co-operative Development Corporation
38. Shri N. Khosla, Joint Development Commissioner, Small Scale Industries, Ministry of Industry
39. Shri A. S. Gill, Secretary (Revenue), Gujarat
40. Shri G. Ramachandran, Secretary (Finance), Madras
41. Shri K. S. Narang, Secretary (Finance), Punjab
42. Shri M. A. Abbasi, Secretary (Finance), Andhra Pradesh
43. Shri G. C. Phukan, Secretary (Finance), Assam
44. Shri H. N. Prasad, Secretary (Finance), Bihar
45. Shri F. N. Rana, Secretary (Finance), Gujarat
46. Shri B. S. Manchanda, Secretary (Finance), Haryana
47. Shri D. N. Gupta, Secretary (Finance), Jammu & Kashmir
48. Shri R. Gopalaswamy, Secretary (Finance), Kerala
49. Shri R. N. Malhotra, Secretary (Finance), Madhya Pradesh
50. Shri V. M. Joshi, Secretary (Finance), Maharashtra
51. Shri Dhyan Singh, Secretary (Finance), Nagaland

52. Shri K. S. Bawa, Secretary (Finance), Orissa
53. Shri M. Mukherji, Secretary (Finance), Rajasthan
54. Shri B. N. Maheshwari, Secretary (Finance), Uttar Pradesh
55. Shri R. Tirumalai, Secretary, P.W.D., Madras
56. Shri Ishwar Chander, Secretary (I. & P.), Haryana
57. Shri R. N. Chopra, Secretary (Agriculture), Haryana
58. Shri S. S. Grewal, Secretary (Agriculture), Punjab
59. Shri Chandappa Patel, Secretary, P.W. and Electricity Department, Mysore
60. Shri G. A. Narasimha Rao, Additional Secretary, P.W.D., Andhra Pradesh
61. Shri J. C. Luther, Deputy Secretary, Administrative Reforms Commission
62. Shri S. R. Sankaran, Deputy Secretary, Department of Co-ordination
63. Shri K. S. S. Murthy, Deputy Secretary, Ministry of Irrigation and Power
64. Shri R. T. Mirchandani, Agricultural Marketing Adviser, Govt. of India, Nagpur
65. Dr. P. Bhattacharya, Animal Husbandry Development Commissioner, Department of Agriculture.

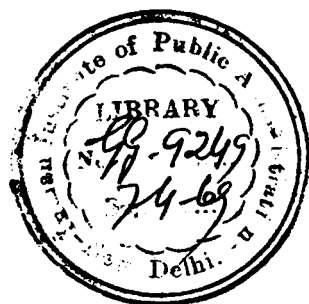




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TABLE OF CONTENTS

	PAGE
I. SMALL SCALE INDUSTRIES	1
II. MINOR IRRIGATION	24
III. NATIONAL CO-OPERATIVE DEVELOPMENT CORPORATION	41
IV. ANIMAL HUSBANDRY INCLUDING DAIRYING ..	72
V. AGRICULTURAL MARKETING	121
VI. SOCIAL WELFARE	159
VII. SCHOOL EDUCATION	208

Study I

SMALL SCALE INDUSTRIES

All industries, except those

- (i) declared by Parliament by law to be necessary for defence, and
- (ii) control of which by the Union is declared by Parliament to be in the public interest,

are covered by the State List. The following Acts have been passed by the Parliament bringing a number of industries under the control of the centre:—

Rubber Act, 1947.

Industries (Development and Regulation) Act, 1951.

Tea Act, 1953.

Coir Industry Act, 1953.

Rice-Milling Industry (Regulation) Act, 1958

Sugar (Regulation of Production) Act, 1961.

2. By special notifications, however, small scale industries have been exempted from the operation of these Acts. Small scale industries, therefore, remain a state subject.

3. The following organisations at the centre deal with all matters relating to small scale industries:—

- (a) a part of the Ministry of Industry;
- (b) the Central Small Industries Organisation;
- (c) the National Small Industries Corporation Ltd.;
- (d) the Small Industries Training Institute, Hyderabad;
- (e) the National Design Institute, Ahmedabad; and
- (f) the Inventions Promotion Board.

The functions of these organisations are briefly described below.

4. *The Ministry of Industry* functions as the overall administrative authority for all the organisations mentioned at (b) to (f) at paragraph 3 above.

5. *The Central Small Industries Organisation (CSIO)* was created in 1954 as an attached office of the then Ministry of Commerce and Industry to undertake promotional measures for the development of small scale industries in the country. It consists of a headquarters organisation under the Development Commissioner, Small Scale Industries and one Small

Industries Service Institute (SISI) in each state under a Director. There are a few extension centres under each SISI. An organisation chart of the CSIO is at *Annexure I*.

6. The CSIO, through the SISIs in states, renders direct technical assistance to the small scale units to enable them to start new enterprises and produce better products. A gist of the services provided by the CSIO is given below; the detailed functions are at *Annexure II*.

(i) Technical Advisory Service : This consists of direct technical advice for setting up new enterprises, selection, installation and operation of machinery, assistance in design and development of new products and other measures to improve production processes.

(ii) Workshop and Laboratory Service : This consists of demonstration and use of technical process and assistance in testing of raw materials, quality control and tool room facilities, etc.

(iii) Management Consultancy Service : This consists of giving guidance in proper methods of industrial management, cost reduction, and other types of techno-managerial advice.

(iv) Managerial and Technical Training Service : This consists of training courses on industrial management and other detailed training courses for supervisors and artisans.

(v) Economic Service : This consists of conducting economic and market surveys of particular areas.

(vi) Information Service : This mainly consists of preparing and publishing model schemes, technical bulletins and other promotional literature.

(vii) General Service : This consists of encouraging small scale units to undertake exports and giving these units assistance and encouragement for securing government orders and orders from large industries.

(viii) Co-ordination of the activities of various agencies connected with the development of small industries, namely, state governments and the central agencies and departments concerned.

(ix) Advice to the state governments on location of industrial estates.

(x) Collection of statistics relating to small scale industries on an all-India basis.

7. All these activities provide leadership, initiative and technical assistance to the small scale units. At the field level all these promotional measures are taken through the Small Industries Service Institutes and their extension centres. Direct handling of this activity by the centre, besides being a clear encroachment on the states' sphere, leads to a problem of co-ordination. All the regulatory functions for small scale industries are performed by the state governments, whereas the Central Government, through

the Small Industries Service Institutes and their extension training centres performs a large number of promotional activities. This forces the small scale industries to deal with two completely different agencies functioning under different governments for different aspects of their requirements. The location of both the regulatory and promotional functions at one place would secure a better co-ordinated effort for the development of this sector and both the regulatory and the promotional wings would be able to function more effectively. At the initial stages the state governments did not have the organisation, resources or staff to build up their own service institutions and extension centres. The Central Government, in filling up this gap, has undoubtedly rendered a valuable service; but now that each state has a SISI with several extension centres under each, all properly staffed with adequately trained men, it is no longer necessary to divide the regulatory and promotional responsibilities between two different governments. Our proposal is that the SISIs with their extension centres should be transferred to the state governments where they are situated to enable the state governments to have the necessary organisation and personnel for performing all the promotional activities now performed by the institutes and the extension centres and which are their legitimate responsibility. This would leave the headquarters organisation mainly engaged in planning, evaluation, co-ordination, collection and dissemination of information and rendering technical and economic advice and assistance to the state governments and other organisations of the Government of India.

8. Before implementing this proposal two problems would have to be solved :—

- (i) the state governments may not have the resources to bear the expenditure for the maintenance of these institutes and extension centres and to perform all the necessary promotional measures; and
- (ii) there may be some difficulty in transferring the present staff of the Institute, who are Central Government employees, to the state governments. The grades of pay drawn by the Central Government employees in the SISIs are in most cases higher than those paid by the state governments for equivalent classes of officers. Even if this is sorted out, a number of Central Government employees may be hesitant to join the state governments.

9. The first problem should be taken care of by financial devolutions from the centre. The second would require detailed working out in consultation with the states, but there is nothing insuperable about it. The men must go to the place where the function belongs.

10. In relation to personnel, another problem to be taken care of will be the availability of experts. At present not every SISI has every kind of specialist nor is this type of self-sufficiency required. If a particular SISI

needs the services of a specialist and does not have one, he can be transferred from another SISI. Economical deployment and optimum utilisation thus become possible when personnel are centrally controlled. This argument, however, is not as strong as it sounds. For one, the number of such specialists is small and a decision on the system need not depend on this factor. For another, specialists can be trained. If a state is going in for, say, the manufacture of leather goods, and does not have a leather expert, it can easily either train one or employ one. And in a planned economy it will always have an indication in advance of the kind of industries that are proposed to be set up and the fields in which technical advice will be required. In those areas of technology where there is a general shortage of personnel or where a long time is required to produce personnel with the necessary expertise, the CSIO may employ a nucleus of experts and attach them to a few SISIs where their services are required. These experts would function administratively under the CSIO which could deploy them wherever necessary.

11. *The National Small Industries Corporation Ltd. (NSIC)*: The National Small Industries Corporation Ltd., was established in 1955 primarily with the object of providing marketing assistance to small units and organising production for meeting government orders. The functions of the Corporation have since been enlarged and at present its main functions are:—

- (i) assistance to small units to secure contracts for supply of stores from the Directorate General of Supplies and Disposals and other Central Government agencies;
- (ii) credit facility schemes;
- (iii) supply of machines on hire-purchase basis;
- (iv) management of the Naini Industrial Estate;
- (v) management and administration of Prototype Production and Training Centres—one each at Okhla, Rajkot and Howrah; and
- (vi) participation in exhibitions to publicise small industries' productions.

A brief description of each of these activities is given below.

(i) **Assistance to Small Units to Secure Contracts for Supply of Stores**: Under the present arrangement the Corporation acts mainly as a liaison agency to help the small units in securing larger number of government contracts. This service has necessarily to be centralised in order to render this assistance to all the small scale units throughout the country on an equitable basis.

(ii) **Credit Facility Schemes**: Financial assistance to the small scale industries is made available by a number of banks through the Credit

Guarantee Scheme evolved by the NSIC. The details of this scheme have been explained in *Annexure III* under the activities of the NSIC. The main help rendered by the NSIC to the small scale industries through this scheme is their guarantee to underwrite probable losses incurred by the banks in implementing this scheme. Only the Central Government could have begun an all-India scheme of this type. But now that the scheme has been put into operation it should normally be the responsibility of the respective state governments to give the requisite guarantees to the banks against the possible losses that the banks may incur in giving the benefit of the Credit Guarantee Scheme to the small scale units in each state. The NSIC should, therefore, dissociate itself from this scheme and decentralise the functions to the states.

(iii) Supply of Machines on Hire-purchase Basis: In order to enable the small scale units to acquire capital equipments, the NSIC administers a hire-purchase scheme under which applications from small scale units for supply of machines are routed to the NSIC through the State Directorates of Industries. The period of repayment is generally 7 years, and the first instalment becomes due one year after the date of delivery of the machines. The supply of equipment manufactured in the country on a hire-purchase basis could and should be taken over by the states; the responsibility for the supply of imported equipment should continue with the NSIC.

(iv) Management of the Naini Industrial Estate: This estate is due to be transferred to the state government as soon as the terms and conditions for such transfer are settled.

(v) Prototype Production and Training Centres: These are regional centres for imparting production-based technological training and development and prototype production of machines. As all these centres cater to several states they may continue to be administered by the NSIC.

(vi) Participation in Exhibitions: This is a promotional activity to inform the general public and other industries about the progress made in the small scale sector and to popularise the products of the small scale industries. This activity may continue with the NSIC as at present.

12. *The Small Industries Training Institute, Hyderabad*: The Central Industrial Extension Training Institute was registered as a society at Hyderabad and started functioning from July, 1962.

Objectives: The Institute is designed to accelerate growth and development of small industries through training, research and service activities directed towards improved development methods and better management brought about by a more efficient extension of modern knowledge.

Financial arrangements: The Institute is financed by the Government of India and receive assistance from the Ford Foundation. A provision of Rs. 6 lakhs has been made for the first year of the Fourth Plan.

Training programmes: The Institute has been offering mainly two types of courses: —

- (i) the Industrial Management Course for the technical and management personnel of the CSIO and other similar institutes;
- (ii) the Area Development Courses for the economic investigation officers of the CSIO and the Directorates of Industries and for the district industries officers of the state governments.

This is an all-India training institute and may continue to be administered centrally.

13. *The National Design Institute, Ahmedabad* : The National Design Institute, Ahmedabad was set up by the Government of India as a society in September, 1961 with the assistance of the Government of Gujarat and the Ford Foundation for research, training and service in industrial designs of India.

Its activities are mainly directed towards finding the most effective means of contributing to industrial growth through product improvement.

This is also an all-India training institute and may continue to be administered centrally.

14. *The Inventions Promotion Board* : This is an autonomous body created in 1960 under the then Ministry of Commerce and Industry for providing incentives to inventors. The details of its functions are at *Annexure IV*. As this is an all-India scheme this may also continue to be centralised as at present.

15. The activities of all these central organisations in the field of small scale industries could be broadly categorised as follows: —

Overall activities:

- (i) providing initiative and leadership to the states and serving as a clearing house of information;
- (ii) undertaking responsibility for drawing up the national plan for the development of small scale industries in close collaboration with the states;
- (iii) undertaking research at a national level for the development of small scale industries;
- (iv) undertaking training programmes of a foundational nature;
- (v) in a limited way, evaluating and checking the progress of plan activities; and
- (vi) providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guidelines.

Promotional activities:

- (i) rendering marketing assistance to small scale industries in securing Central Government contracts;
- (ii) supply of capital equipment to small scale industries through hire-purchase schemes;
- (iii) providing incentive to inventors;
- (iv) rendering various kinds of technical guidance to small scale industries;
- (v) training of artisans, craftsmen, etc., for small scale industries;
- (vi) administering a management consultancy service; and
- (vii) rendering indirect financial assistance to small scale industries through credit schemes.

Routine activities:

- (i) follow-up action on the recommendations and decisions taken at conferences, meetings, etc.; and
- (ii) parliament and miscellaneous work.

We have already recommended decentralising to the states the promotional activities mentioned at (iv) to (vii) above.

16. The first item of work mentioned above, *i.e.*, providing initiative and leadership to the states and serving as a clearing house of information should perhaps be the most important function of a central organisation dealing with a state subject; the other items (ii) to (vi) categorised as overall activities in paragraph 15 could be said to be natural implications of this function. The extent to which this function is performed by the central organisation is discussed below.

17. Initiative and Leadership : At present, with the Central Government doing almost all the state governments' work for the promotion of small scale industries, there is not much left for the State Directors of Industries to do. The scope for giving guidance to the state governments is, therefore, considerably reduced. But if the state governments fulfilled their obligations regarding the development of small scale industries in their states, the Central Government would have a very important role to play in providing initiative and leadership to the states, involving :

- (a) technical guidance to the State Directorates of Industries;
- (b) dissemination of various types of economic and technical information; and
- (c) formulation of plans and policies.

18. **Technical Guidance :** The Central Government could arrange for the training of the officials of the state directorates in all-India and regional training institutions administered by them as well as in various industries scattered all over the country. They could also guide the state governments in building up their executive machinery for taking the different types of promotional measures necessary for the development of small scale industries in different states. A third type of technical guidance that the centre could give to the states could be technical know-how through experts to be employed by the central organisation for this purpose. This last service would imply the creation of a technical consultancy service at the centre manned by experts in various fields of technology, management and industrial finance, to assist the state governments when required.

19. **Dissemination of Useful Information :** A noticeable deficiency exists in this sector. The responsibility for collecting data regarding small scale industries is distributed today between the Central Statistical Organisation and the CSIO. The former is responsible for collecting *structural* data while the latter is responsible for collecting *operational* data. Neither of these two organisations has been able to collect adequate data with the result that planning and evolution of detailed policies are based on insufficient factual information. The clear need to organise a data collection system at the centre is obvious. How the requisite data should be collected, or by whom, is beyond the purview of our study.

20. With decentralisation of most of the direct promotional work to the state governments, dissemination of information would become a very important activity. Not only will the central organisation have to collect details about economic conditions and technical know-how from different parts of the country and disseminate them to all the states, they would also have to keep track of various types of promotional measures adopted in each state and disseminate this information. For this purpose a machinery for flow of information from the states to the centre and the dissemination of useful information from the centre back to all the states will have to be set up.

21. **Formulation of Plans and Policies:** For formulation of national policies and aiding state governments to evolve their own policies and plans the following types of meetings between the officers of the Central Government and the state governments are utilised:

- (a) meeting of the Small Scale Industries Board (annual);
- (b) annual plan meetings; and
- (c) meetings between the Development Commissioner, CSIO and the State Directors of Industries (quarterly).

These meetings provide sufficient communications between the centre and the state for evolving national and state plans and policies and for making

readjustments whenever necessary. Representatives of state governments are also included in the special groups formed for formulating the five year plans.

Conclusions:

Earlier, while discussing the functions of the various central organisations dealing with small scale industries, we have recommended decentralisation of all direct promotional activities to the state governments, centralising only a few activities which operate on a regional or on an all-India basis. As far as the centre is concerned, this would imply decentralisation of activities for which it is spending over a crore and a half rupees, *i.e.*, the total expenditure of the SISIs and the extension centres. If these are transferred to the state governments along with their functions, the headquarters organisation would also become slightly smaller.

Functionally, the central organisations should perform only the following types of activities for the development of small scale industries :

- (i) providing initiative and leadership to the states and serving as a clearing house of information;
- (ii) undertaking responsibility for drawing up the national plan for the development of small scale industries in close collaboration with the states;
- (iii) undertaking research at a national level for the development of small scale industries;
- (iv) undertaking training programmes of a foundational nature;
- (v) evaluating and checking the progress of plan activities;
- (vi) providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guidelines;
- (vii) administering a technical consultancy service for state governments and other central organisations;
- (viii) organising regional, all-India or industry-wise surveys;
- (ix) rendering assistance to the State Directorates of Industries to enable the small scale industries in their states to secure central contracts and contracts from other states for purchase of stores;
- (x) supplying imported capital equipment through the hire-purchase scheme of the NSIC;
- (xi) acting as a general co-ordinator for all organisations whose activities have an impact on the small industries sector;

- (xii) co-ordinating and liaising with the state governments for fulfilling the requirements of raw materials for small scale industries in each state;
- (xiii) administration of all-India and regional institutes for research and training;
- (xiv) providing incentive to inventors;
- (xv) taking follow-up action on the decisions taken at meetings and conferences; and
- (xvi) parliament and miscellaneous work.

Organisation Chart
Development Commissioner (Small Scale Industries)

(See paragraph 5)

I.Q. Office	S.I.S.I. Andhra Pradesh	S.I.S.I. Assam	S.I.S.I. Bihar	S.I.S.I. Delhi	S.I.S.I. Gujarat	S.I.S.I. Jammu & Kashmir	S.I.S.I. Kerala	S.I.S.I. Madhya Pradesh	S.I.S.I. Madras	S.I.S.I. Maharashtra	S.I.S.I. Mysore	S.I.S.I. Orissa	S.I.S.I. Punjab	S.I.S.I. Rajasthan	S.I.S.I. Uttar Pradesh	S.I.S.I. West Bengal	S.I.S.I. (Br.) Goa	Production Centre Ettimannur
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	— — — Extension Centres	— — — 3 Extension Centres	— — — 3 Extension Centres	— — — 3 Extension Centres	Br. S.I.S.I. — — 5 Extension Centres	Br. S.I.S.I. — — —	— — — 4 Extension Centres	— — — 1 Extension Centres	— 1 Training Centre — 5 Extension Centres	— — — 1 Extension Centres	Br. S.I.S.I. — — 1 Extension Centres	— — — 1 Extension Centre	— — — 6 Extension Centres	— — — 3 Extension Centres	2 Br. S.I.S.I. 1 Training Centre 1 Shoe Lace Factory 4 Extension Centres	— — — 9 Extension Centres	— — — —	— — — 2 Extension Centres
J.D.C. (Adm. & Co-ord.) Director (El. & Stat.) Director (I.D.) Director (Ancillary) Director (Chem.) Director (I.M.T.) Director (C.E.) Director (Planning) Dy. Directors	Director Dy. Director (Foundry) Dy. Director (Mech.)	Director Dy. Director (Mech.)	Director Dy. Director (Mech.) Dy. Director (General)	Director 2 Industrial Designers Dy. Director (Mech.) Dy. Director (Met.) Dy. Director (E.I.) Dy. Director (I.M.T.) Dy. Director (Ceramics) Dy. Director (Elect.) Dy. Director (Trade not specified) Asstt. Industrial Designers	Director Dy. Director (E.I.) Dy. Director (I.M.T.) Dy. Director (Mech.) Dy. Director (Ceramics) Dy. Director (Trade not specified)	Director —	Director Dy. Director (Mech.)	Director Dy. Director (Mech.)	Director 1 Dy. Director (I.M.T.) 1 Dy. Director (E.I.) 1 Dy. Director (Ceramics) 1 Dy. Director (C.E.) 1 Dy. Director (Elec.) 2 Dy. Director (Foot wear)	Director Dy. Director (Chem.) Dy. Director (E.I.) Dy. Director (Mech.) Dy. Director (I.M.T.) Dy. Director (C.E.)	Director Dy. Director (Mech.) Dy. Director (Foundry) Dy. Director (Chem.)	Director Dy. Director (Elec.)	Director 1 Dy. Director (Hosiery) 1 Dy. Director (Met.) 2 Dy. Director (Mech.)	Director 1 Dy. Director (Ceramics) 1 Dy. Director (Chem.) 1 Dy. Director (Mech.)	Director 1 Dy. Director (Chem.) 1 Dy. Director (Leather) 1 Dy. Director (Mech.) 1 Dy. Director (E.I.) 1 Dy. Director (Met.) 1 Dy. Director (Ceramics) 1 Dy. Director (Goods) 1 Dy. Director (Chem.) 1 Dy. Director (Elec.) 1 Dy. Director (H.T.) 1 Dy. Director (E.I.) 1 Dy. Director (Trade not specified)	Director Dy. Director (Incharge)	Director 1 Dy. Director (Incharge)	Director 1 Dy. Director (Incharge)
7 Asstt. Directors	2 Asstt. Directors	Asstt. Directors	0 Asstt. Directors	19 Asstt. Directors	0 Asstt. Directors	Asstt. Directors	14 Asstt. Directors	0 Asstt. Directors	20 Asstt. Directors	3 Asstt. Directors	4 Asstt. Directors	9 Asstt. Directors	13 Asstt. Directors	10 Asstt. Directors	19 Asstt. Directors	21 Asstt. Directors	5 Asstt. Directors	5 Asstt. Directors
1 Jr. Field Officers	8 Jr. Field Officers	5 Jr. Field Officers	4 Jr. Field Officers	28 Jr. Field Officers	16 Jr. Field Officers	Jr. Field Officers	15 Jr. Field Officers	5 Jr. Field Officers	28 Jr. Field Officers	3 Jr. Field Officers	4 Jr. Field Officers	3 Jr. Field Officers	21 Jr. Field Officers	11 Jr. Field Officers	27 Jr. Field Officers	26 Jr. Field Officers	7 Jr. Field Officers	9 Jr. Field Officers

Annexure II
(See paragraph 6)

The Central Small Industries Organisation

The Central Small Industries Organisation (CSIO) is the main central organisation for dealing with all matters relating to the small scale industries sector. The main functions performed by them are indicated below:—

- (i) Formulation of National Plans and Policies for the Development of Small Scale Industries.
- (ii) Technical Advisory Service:
 - to give direct technical advice for setting up new small scale enterprises, choice of machinery, design, fabrication, layout, installation and operation of plant and machinery;
 - to prepare designs and drawings for production equipment and accessories, jigs, fixtures, tools and gauges and assist in improving the production processes generally;
 - to provide technical guidance on the efficient use of raw materials, utilisation of substitutes, salvages and scraps;
 - to provide technical assistance in design and development of new products and by-products, standardisation and simplification of designs of existing products;
 - to provide technical assistance in the development of ancillary enterprises.
- (iii) Workshop and Laboratory Service:
 - to demonstrate use of modern technical processes on selected machines and equipment;
 - to assist in the testing of raw materials and products of small scale enterprises and assist in their inspection and quality control;
 - to provide common service and tool room facilities;
 - to carry out experiments, and laboratory analysis on new and substitute raw materials and study the effects of design variables on performance, quality improvement, and such other field problems as are posed by small scale enterprises.
- (iv) Management Consultancy Service:
 - to give guidance in proper methods of industrial management including cost reduction, finance and accounts, production management, marketing and other specific areas of industrial engineering with a view to ensuring intensive utilisation of resources;

Annexure II—contd.

- to conduct complete in-plant studies, as well as provide *ad hoc* managerial advice on specific problems;
- to provide special techno-managerial advice for cost reduction and quality improvement to export-oriented small scale enterprises.

(v) Managerial and Technical Training Service:

- to conduct general industrial management training course and other courses in specialised subjects like financial management, production management and marketing; also to conduct *ad hoc* courses in other areas of interest to small scale industries;
- to conduct technical training courses in various subjects, for supervisors and artisans, such as, machine shop practice, tool room practice, foundry practice, blueprint reading, heat treatment, electroplating, footwear manufacture, fruit preservation, etc.;
- to conduct export promotion courses for small scale industries;
- to train village artisans in the use of improved tools and equipment through mobile workshops.

(vi) Economic Service:

- to conduct economic surveys of particular industries and areas and make concrete recommendations for development programmes;
- to undertake market distribution aid surveys for individual enterprises;
- to supply market information in selected cases.

(vii) Information Service:

- to provide guidance on the establishment of new enterprises;
- to prepare and publish model schemes, technical bulletins, industry prospect sheets and other promotional literature.

(viii) General Service:

- to enlist small scale enterprises for participation in government stores purchase programmes;
- to recommend small scale enterprises to public and private large industries for supply of stores;
- to guide and encourage small scale enterprises to undertake exports;
- to recommend small scale enterprises for financial assistance from the State Bank;
- to render advice on procuring machinery on hire-purchase basis from the National Small Industries Corporation;

Annexure II—concl'd.

—to render all assistance—technical, managerial, economic, etc., in the programmes of rural industrialisation launched at 45 rural industrial projects by the Planning Commission;

—to evaluate development programmes in small scale sector.

- (ix) Co-ordination of the activities of various agencies connected with the development of small industries, namely, state governments and the central agencies and departments concerned.
- (x) Advising state governments on location of industrial estates.
- (xi) Collection of statistics relating to small scale industries on an all-India basis.

Annexure III

[See paragraph 11(ii)]

The National Small Industries Corporation Ltd.

The National Small Industries Corporation Ltd., was established in 1955 primarily with the object of providing marketing assistance to small units and organising production for meeting government orders. The functions of the Corporation have since been enlarged and at present its main functions are:—

- (i) assistance to small units to secure contracts for supply of stores from the Directorate General of Supplies and Disposals and other Central Government agencies;
- (ii) credit facility schemes;
- (iii) supply of machines on hire-purchase basis;
- (iv) management of the Naini Industrial Estate;
- (v) prototype production and training centres—one each at Okhla, Rajkot and Howrah; and
- (vi) participation in exhibitions to publicise small industries products.

A brief description of each of these activities is given below.

Assistance to Small Units to Secure Contracts for Supply of Stores: Under the present arrangement the Corporation acts mainly as a liaison agency to help the small units in securing a larger number of government contracts. To begin with the various stores purchased by government were classified into the following groups:—

- (i) items which were of no interest to small scale units and could be produced only in the large scale sector;
- (ii) items which by their very nature required large scale firms as prime contractors but permitted substantial scope to the large scale contractors to purchase components and parts from small scale units;
- (iii) residuary items which firms, both in the large scale as well as in the small scale sector, could supply; and
- (iv) items which could be reserved for procurement from small scale units only.

The efforts of the Corporation were concentrated in securing contracts for small scale units specially falling under group (iii). As regards group (ii), the Corporation tried to persuade large scale public and private sector undertakings to accept the existing small units as their ancillaries as well as to encourage new small units for the purpose. For items under group (iv),

Annexure III—contd.

the effort of the Corporation was directed towards increasing their number in order to enlarge the exclusive field for purchase from the small scale sector.

Credit Facility : A small scale industrial entrepreneur lacks the assets, creditworthiness and very often the familiarity with the processes attached to institutional financing that will assist him in obtaining assistance from recognised banking institutions and his need is not so meagre that it can be met by private borrowing. His case, therefore, calls for special examination and treatment. When his need for finance is related to the supply of manufactured items and parts required by the government and its agencies like the Railways, etc., the need for special arrangements becomes more important as the business demands *ad hoc* and not sustained treatment. Production against the requirements of the market, as it is called, accommodates regularisation but the contracts from government institutions are rather sporadic and the party quoting the lowest price is normally the winner. Further, government contracts stipulate almost immediate delivery of goods mainly because they have to conform to formalities which take up considerable time for finalising contracts leaving comparatively little time for their execution.

In order to meet the above difficulties, the NSIC introduced, some five years ago, a Credit Guarantee Scheme (CGS) in conjunction with the State Bank of India (SBI). All small units that are registered with the NSIC and have secured contracts from government organisations could obtain finance under the Credit Guarantee Scheme. Under the Scheme, the units could procure finance needed for buying the necessary raw materials. Banks, in the course of their normal business, grant cash credit facility to their manufacturing clients. But in such cases the loans available from the Banks are up to about 70 per cent of the value of the pledged materials because a banking margin is retained. Thus the borrower has not only to draw his supplies against cash payment but also has to meet this margin from his already meagre cash resources. The particular advantage behind the NSIC's CGS was that it also covered this normal banking margin. On the strength of issue of a guarantee by the NSIC, the Bank advanced up to 100 per cent of the value of raw materials pledged by the small unit. For this valuable assistance, the NSIC charged a nominal rate of half per cent over the normal interest charged by the State Bank.

It was subsequently decided to enlarge the scope of financial assistance to the small units by making it cover their financial needs at all stages of production. After detailed discussions with the representatives of the Government of India, Reserve Bank, State Bank and the Federation of Association of Small Industries, a new scheme called "NSIC—GUARANTEE SCHEME NO. 2" (NSIC—GS) has now been introduced. The main features of the Scheme are:—

- (a) while issuing copies of tenders to the small units enlisted with the NSIC, the Corporation will ask the units to contact the

Annexure III—contd.

Agent of the branch of the State Bank of India nearest to them in order to familiarise themselves with the facilities available to them under the NSIC—GS;

- (b) the NSIC will send weekly statements depicting the contracts placed on small units, to the branches of the State Bank so that their representatives may call on the units concerned and advise them about the procedure to be adopted for deriving benefit from the scheme. The NSIC's despatch of the weekly statements assists the Bank to initiate, without loss of time the preliminary work that must precede all extensions of credit;
- (c) after the representative of the unit has called on the local branch of the SBI or the latter has called on the former, the application form relating to the NSIC—GS will be handed over by the branch to the unit and the unit in its turn will hand over the original contract to the Bank along with the application, after completing the details. The Bank after making out a copy of the contract will return the original to the unit concerned;
- (d) the Agent of the State Bank may either sanction the advance for raw material at his own discretion or send the relevant documents to his head office for approval;
- (e) in the meanwhile, the NSIC will have received the SISI's recommendation regarding the technical competency, managerial ability and past performance of the unit. A copy of this would also be marked to the branch concerned of the SBI. On the basis of the recommendation and after necessary examination, the NSIC will issue their guarantee which is of course subject to the Bank's decision to give the credit. The advance finance resulting from the credit will cover all stages of production, from the purchase of raw material to the discounting of bills. Thus, by simultaneous action by the NSIC and the State Bank for completing the necessary formalities, loans will be sanctioned speedily under the NSIC—GS; and
- (f) there may arise occasions when the SBI may be prepared, in the case of particular clients, to advance amounts which are less than the amounts recommended by the NSIC; it may also happen that the SBI may refuse advances altogether. Such occurrences will not be frequent and when they do arise, it will, of course, not be possible to divulge reasons.

An industrial unit which conforms to the definition of a small industry and is enlisted with the NSIC can take advantage of the NSIC—GS. The credit facilities can be obtained against orders secured from any Central Government or state government agencies including public sector

Annexure III—contd.

undertakings. The credit facility under the Scheme covers the assistance to small units in the following forms:—

- (a) a loan from the State Bank for the purchase of raw materials;
- (b) a cash credit account, *i.e.*, payment of advance against pledge of raw materials;
- (c) overdraft against raw materials and components during the process of production;
- (d) advance against the government bills duly presented to the Bank alongwith the inspection notes and the railway receipt number, etc.;
- (e) opening of letter of credit on behalf of the clients to pay to the supplier from whom the clients purchase the raw materials; and
- (f) the issuance of bank guarantee to the supplier of raw materials against the purchases made by the manufacturing client or direct payment to the supplier of raw materials.

The administration of this Scheme should be transferred to the states.

Supply of Machines on Hire-purchase Basis: Under the existing arrangement applications for supply of machines on hire-purchase basis are routed through the State Directorates of Industries. To discourage and weed out frivolous applicants, a system of taking a token payment from applicants as earnest money has been introduced. The period of repayment is 7 years in the case of graded machines and in the case of ungraded machines the period is 5 years. The first instalment becomes due after 1 year from the date of delivery of machines and subsequent instalments are payable after every six months. To operate this scheme on a self-sufficiency basis, the NSIC has since 1961 introduced service charges also.

In so far as the supply of imported machines is concerned the Corporation has to depend upon the foreign credits negotiated with friendly countries. In order to utilise the limited resources more appropriately and for priority items of industries, committees have been set up to screen applications. Applications for indigenous machines are considered by a committee consisting of officials of the Office of the Development Commissioner, Small Scale Industries, and of the Corporation, and those for imported machines are examined by a committee which also includes a representative of the Office of the Chief Controller of Imports and Exports.

Incentives to Ancillaries: For setting up an ancillary unit the ceiling of maximum capital limit has been relaxed to Rs. 10 lakhs in respect of certain selected industries. In pursuance of the Government of India policy to encourage ancillary industries, the Corporation till recently offered more liberal terms of hire-purchase for them.

Annexure III—contd.

Marketing Assistance: In order to provide marketing facilities to small units, the Corporation evolved various schemes. Wholesale depots were set up to encourage production of standardised goods and mobile vans were introduced to provide direct assistance to small units.

When the primary objective of this scheme was achieved (that of creating a market for the products of small industries) and it was found that the industries concerned could stand on their own, the Corporation withdrew from the activity but has since been concentrating on making available to small industries items of raw materials and components which are scarce in the market.

Raw Materials Depot, Delhi: The Corporation has also set up a raw materials depot in Delhi which arranges to buy, in bulk, scarce raw materials, keeps them in store and distributes them in convenient lots to small industries in the Delhi territory.

Most of the imported items are purchased from the State Trading Corporation and the Minerals and Metals Trading Corporation. Materials are distributed to small scale industries on the basis of the quota certificates issued by the appropriate authority. (This is primarily the function of the state governments. In most of the states this function is being discharged by the State Small Industries Corporation. Since there is no such corporation in the Delhi territory the NSIC has taken over this work as a result of a request made by the Delhi Administration).

Industrial Estates: The NSIC constructed two industrial estates with a view to providing small industrial units with suitable factory premises built according to health and municipal regulations and equipped with necessary facilities like water, electricity, etc. The one at Okhla was transferred to the Delhi Administration in April, 1959. The other was set up at Naini near Allahabad. This estate continues to be administered by the NSIC because the terms and conditions on which the Corporation wants to transfer it to the state government are not acceptable to the latter.

Prototype Production Training Centres: The urgent necessity for the extension of production-based technological training was accepted on the basis of the recommendations of experts (West Germany). It was also felt that the development of machinery should include research in manufacturing techniques, instituting specifications; preparing jigs, tools, fixtures and drawings. Three such centres have, therefore, been set up, one at Rajkot (with US AID assistance), the second at Okhla (with West German assistance) and the third at Howrah (with Japanese assistance). Work relating to the running and establishment of the centres at Rajkot and Okhla was entrusted to the NSIC during 1957. The administrative control of the Howrah centre was transferred to the Corporation with effect from the 1st of May, 1963.

Annexure III—contd.

The main objectives of these centres are :

- (1) design, development and prototype production of machines suitable for small industries;
- (2) intensive training of skilled workers and supervisors both for existing industries and for meeting the demands of the expanding industry; and
- (3) providing common facilities and technical services in production techniques, processes, etc., for small industry.

Exhibitions: In order to make known the impact made on the small scale sector by various developmental plans and schemes operated by the NSIC and other agencies engaged in similar functions, the media of exhibitions is utilised for disseminating information and displaying actual products of the small scale sector.

Inventions Promotion Board

Following the rapid and wide-spread industrial development achieved since Independence, it was felt that the inventive talent of the country should be harnessed to enable Indian inventors to make their distinctive contributions to economic progress. Accordingly, the Joint Standing Committee for Research and Industry, Council of Scientific and Industrial Research, at a meeting held under the chairmanship of the then Minister for Industry, Shri Manubhai Shah, constituted a working group to consider and draw up a concrete scheme for setting up an organisation to guide the country's inventive talent in the most fruitful channels. The working group submitted its report to the Joint Standing Committee for Research and Industry which recommended its adoption by the Government of India.

The recommendations were accepted by the Government of India and it was decided to set up "the Small Inventions Development Board" in the Ministry of Commerce and Industry. Subsequently, the Board was renamed as "Inventions Promotion Board", made an autonomous body under the administrative control of the Ministry of Commerce and Industry and registered as a society on the 5th of June, 1960 under the Societies Registration Act, 1860.

Principal functions: The principal functions vested in the Board are:

- (a) to encourage and inculcate the spirit of invention amongst independent workers, artisans and technicians;
- (b) to assist in guiding the country's inventive talent in the most fruitful channels; and
- (c) to promote and implement such ideas and inventions by suitable technical and financial assistance.

Means of Promotion and Procedure : The Board undertakes to assist and encourage development of new ideas, products and processes by:

- (a) providing technical assistance and guidance;
- (b) granting financial assistance to inventors to help them in developing their ideas/proposals which are technically feasible and of utility. This is determined by scrutiny of the inventions by the technical staff of the Board, obtaining the opinion of outside experts in the field concerned and making a financial assessment of the grant required for development. The financial assistance is generally meant for meeting the workshop charges for fabrication, cost of raw materials and labour and small tools required for work, etc. It is also given for taking

Annexure IV—concl'd.

out patents by the Board on behalf of the inventors. In order to obtain proper data, in special cases, on the performance of the inventions claimed, the Board also arranges and meets the cost of testing at a test house or laboratory; and

- (c) awarding prizes for outstanding inventions whose utility and viability have been fully testified.

MINOR IRRIGATION

INTRODUCTION

1. Minor irrigation comprises small projects costing less than Rs. 15 lakhs each, which can be conceived and handled to a large extent by the cultivators themselves to bring quick results. This criterion is subject to the proviso that only those schemes which have independent water sources would be taken up under the minor irrigation programme. Local drainage and flood protection works costing less than Rs. 50,000 each are also financed under this programme.

CONSTITUTIONAL PROVISION

2. Agriculture is included in List II of the Seventh Schedule to the Constitution. Similarly irrigation and canals, drainage and embankments are also state subjects. Minor irrigation should, therefore, come under the purview of the state governments. But there are a number of central and centrally sponsored schemes of minor irrigation.

STUDY OF THE MINOR IRRIGATION DIVISION

3. The schemes and the role of the Department of Agriculture (Minor Irrigation Division) as a central ministry handling this subject have been studied to see whether the Department is performing any functions which should legitimately be performed by the states and whether it is performing all the functions vis-a-vis the states which it should be expected to perform.

4. Schemes on minor irrigation under the central and centrally sponsored programmes come to the Department of Agriculture from the states for scrutiny. The assistance of the Irrigation Adviser and other technical officers in the ICAR, Directorate of Extension, etc., is taken for scrutinising the schemes. The schemes are thereafter approved and financial sanctions issued. The state schemes on minor irrigation are not scrutinised in the Department of Agriculture except when the state schemes come up for discussion in the Joint Working Group every year, when the representatives of the Department and the state governments discuss the matter with the Planning Commission. The states are, however, asked by the Department to draw up annual programmes of action and teams consisting of secretariat officers and technical officers in the Department visit each state government for discussion and advice. The statement at *Annexure I* shows the statewise expenditure incurred in the Third Plan period on minor irrigation including the states' shares of the centrally sponsored schemes and the figures that have been finally agreed to for the Fourth Plan,

ORGANISA-
TIONAL
SET-UP

5. The organisational set-up in the Department of Agriculture dealing with the Minor Irrigation Division is shown in *Annexure II*. There is thus a research and advising branch and a programmatic branch consisting of the Tubewells Section and the Minor Irrigation Section.

MINOR
IRRIGA-
TION
SECTION

6.1 The Minor Irrigation Section has been assigned the following schemes: —

- (i) scheme for research on minor irrigation and water use (centrally sponsored scheme);
- (ii) training on minor irrigation and water use (centrally sponsored scheme);
- (iii) scheme for survey and investigation of ground water resources (centrally sponsored scheme);
- (iv) subsidy on electricity rates for agricultural purposes (centrally sponsored scheme);
- (v) Ayacut development programme (centrally sponsored scheme); and
- (vi) water resources and agricultural study in Punjab and Haryana (central scheme).

The details of these schemes may be seen in *Annexure III*.

6.2 All these schemes except that at (vi) above can be decentralised to the states. A short discussion of each scheme is available at *Annexure III*. Briefly speaking, the five schemes proposed to be decentralised are already being implemented by the states. They are, however, being financed by the centre and being centrally sponsored they are scrutinised by the centre. Central scrutiny is not necessary as the states are quite competent to carry out the necessary scrutiny themselves. As for central subsidy, it has been pointed out in Chapters VII and IX that there should not be a segmental approach to this problem. What money can be transferred to the states and spent on subjects falling within the states' sphere should be decided upon as a whole and assistance for crucial items among these tied, the judgment as to what is crucial and what is not being exercised very discriminatingly and after viewing the plan as a whole. There is no reason, therefore, for continuing to have any centrally sponsored sector in minor irrigation.

TUBE-
WELLS
SECTION

7.1 The Tubewells Section deals with the following schemes: —

- (i) training on ground water and water well techniques (central scheme);

- (ii) United Nations Development Programme Project on ground water surveys in Uttar Pradesh and Rajasthan (central scheme); and
- (iii) scheme of the Exploratory Tubewells Organisation (central scheme).

The details of these may be seen in *Annexure IV*.

7.2 The discussion at *Annexure IV* shows that the first scheme —the training scheme— should continue to be implemented by the centre but should be paid for by the participating states. The principle here is that the training is of a substantive and not of a foundational nature and it should be run centrally because of its administrative convenience and for the sake of economy. The responsibility to train, strictly speaking, is that of the states which should, therefore, pay for this training. The second scheme should also remain a central scheme partly because it is a programme involving foreign collaboration and partly because the survey, spread over two states, can best be done by a central agency (the Exploratory Tubewells Organisation).

As for the third scheme, it is doubtful if it should be financed by the centre. The financing arrangement is peculiar in that successful boring is charged to the states but expenditure on unsuccessful boring is borne altogether by the centre. Unsuccessful borings heavily outnumber successful borings. In line with the argument adopted in Chapter XI of Volume I, this is an illustration of a service that may, for operational and for administrative reasons, be continued to be rendered by the centre on payment by the states.

7.3. If these proposals are accepted schemes worth Rs. 94.07 crores will be completely decentralised and schemes worth Rs. 3.9 crores will be retained with the centre.

8.1 After this decentralisation, the schemes that will remain with the centre will be:

- (i) training on ground water and water well techniques including the Orientation Training Course (central scheme);
- (ii) United Nations Development Programme Project on ground water surveys in Uttar Pradesh and Rajasthan (central scheme); and
- (iii) water resources and agricultural study in Punjab and Haryana (central scheme).

8.2 In this field the scope for initiative is naturally limited. The centre asks the state governments to draw up annual programmes of action for each financial year and its teams visit each state government for discussion and advice. The Ministry draws up model schemes and suggests them to the states.

A few pamphlets and monographs are prepared, from time to time, bringing out important aspects on minor irrigation and these are circulated to the states.

A seminar is held every two years, called the Near-East South Asia Irrigation Practices Seminar to know about the problems of minor irrigation in other countries and the manner in which they are being tackled. This seminar is co-sponsored by the participating countries and the USAID. The reports brought out are sent to the states for follow-up action in respect of programmes, which may suit them.

No fundamental or foundational research is undertaken. Only applied research is encouraged by the Department. The scheme for research on minor irrigation and water use, the details of which are given in *Annexure III*, is relevant in this context. The items of research work selected are not beyond the research resources of the states but the initiative given by the centre in this regard induces them to undertake such research work.

Thus some initiative is taken, some research is conducted and some clearing house functions are performed. As mentioned above the scope for these in this field is limited but even here perhaps more is possible in the matter of getting acquaintance with the latest techniques, experimentation and dissemination.

8.3 In the Working Group for formulation of the national plan the Ministry is represented adequately by competent and technically qualified people. Detailed information is collected from the state governments before the proposals are formulated. The annual visits of the teams of central experts supplement this work.

8.4 Monthly and half-yearly returns are received from the state governments giving the expenditure figures and the physical progress made by them in the minor irrigation programmes. These are scrutinised in the Division. Progress of the state schemes and other minor irrigation programmes are discussed during the annual visit of the team of experts from the centre and remedies are suggested for bottlenecks and difficulties coming in the way of implementation. Short-term evaluation at the

field level is done to a very limited extent during these visits by the Irrigation Adviser and his men. No long-term evaluation in respect of even important state schemes has been done by the Department of Agriculture so far. However, in 1960-61 the minor irrigation programme was taken up by the Programme Evaluation Organisation when field study was done in all major states of India and in each state one or more districts were selected according to the number of sources of minor irrigation. No such evaluation has been done by the Programme Evaluation Organisation or by the Department of Agriculture after 1960-61.

8.5 Training on minor irrigation and water use and training on ground water and water well techniques is imparted by the centre. Besides an All-India Orientation Training Course of two months duration is conducted every year to which officers from the various states are invited. Chief Engineers from various states and other experts on minor irrigation deliver lectures and practical training in new ideas is also imparted during the orientation course. This role is being adequately discharged.

8.6 On the whole it could be said that the legitimate functions of the centre in this field are not being ignored although there is a case for strengthening them especially in the matter of intelligence, research, experimentation and evaluation.

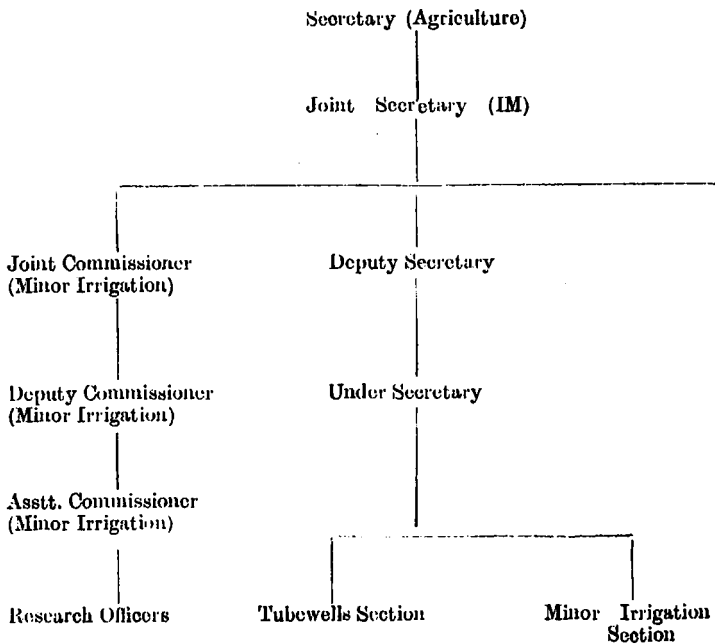
Annexure I
(See paragraph 4)

Plan Schemes—Minor Irrigation

S. No.	State					Third Plan	Fourth Plan	
						Actual Expendi- ture	Proposed by state	Tenta- tively agreed to
(Rs. in lakhs)								
1	Andhra Pradesh	..	..	..	..	2,947	4,500	4,327
2	Assam	..	..	..	..	416	1,290	750
3	Bihar	..	..	..	..	1,268	5,000	4,800
4	Gujarat	..	..	..	..	1,167	2,631	2,543
5	Haryana	..	..	..	..	..	1,263	963
6	Jammu & Kashmir	..	..	..	..	120	540	330
7	Kerala	..	..	..	..	560	1,110	1,100
8	Madhya Pradesh	..	..	..	..	2,085	3,500	3,500
9	Madras	..	..	..	..	2,298	5,225	5,077
10	Maharashtra	..	..	..	..	2,324	6,550	6,550
11	Mysore	..	..	..	..	3,564	3,900	3,900
12	Orissa	..	..	..	..	618	1,400	1,600
13	Punjab	..	..	..	..	822	2,167	2,167
14	Rajasthan	..	..	..	..	1,127	1,480	1,520
15	Uttar Pradesh	..	..	..	..	5,681	12,200	12,205
16	West Bengal	..	..	..	..	1,289	2,730	2,750
17	Nagaland	..	..	..	..	..	25	25
						26,286	55,501	54,107

Annexure 11
(See paragraph 5)

Minor Irrigation Division
Organisational Set-up



Annexure III

(See paragraphs 6.1, 6.2 and 8.2)

Minor Irrigation Division

Items of work dealt with in the Minor Irrigation Section

S. No.	Name of the scheme	Brief description	Remarks
1	2	3	4
1	Scheme for research on minor irrigation and water use (centrally sponsored scheme).	<p>This scheme was started in the Third Five Year Plan to meet the need for applied research on various items connected with minor irrigation, as the methods and practices adopted in the design, construction and operation of minor irrigation works offer scope for considerable improvement. Specific items are selected from the following subjects:—</p> <ul style="list-style-type: none"> (i) earth movement and compaction; (ii) open wells and tube-wells; (iii) water lifting appliances; (iv) tanks, weirs and channels; (v) water distribution and application; and (vi) water requirements of crops. <p>The selected items of research work are taken up on regional basis by the existing research institutions belonging to the states, Government of India and autonomous bodies. Field studies are entrusted to the state technical departments. The responsibility for implementation of the schemes rests with the state governments/heads of research institutions.</p>	<p>The items of research work selected for research in the research institutions are of minor nature. The state governments are competent to carry out the research work themselves and technical guidance could be continued to be given to them by the ICAR, etc. Dissemination of the results of the research work can continue to be done by the publication of the results in journals and distribution thereof.</p> <p>This scheme could be transferred to the state sector.</p>

1	2	3	4
		<p>Detailed schemes received from the states/research institutions are examined at the centre by a technical committee consisting of the Irrigation Adviser, representatives of the Central Board of Irrigation and Power, Indian Council of Agricultural Research (ICAR) and the Directorate of Extension. After the schemes are approved, half-yearly progress reports are received and examined by the technical committee. 100% grant is given by the centre and about Rs. 10 lakhs were spent out of the provision of Rs. 40 lakhs for the Third Plan. Rs. 40 lakhs have been provided in the Fourth Plan.</p>	
2	<p>Training on minor irrigation and water use (centrally sponsored scheme).</p>	<p>This scheme was started in the Third Plan with a view to having a large number of experienced and trained technical hands who would assist in the implementation of the minor irrigation programmes on sound technical lines and also guide the farmers in the construction and operation of minor irrigation works.</p> <p>Theoretical and practical training is imparted to agricultural inspectors, engineering overseers and others of equivalent status. It has been proposed to organise the scheme on state-wise basis and three courses of three months duration turning out about 30 trainees per course are held in each centre. Smaller states depute their men for training to the nearest centre in a neighbouring state. Regional training centres have been opened in Gujarat,</p>	<p>All the work concerning the training institutions is done at the state level. Once a model scheme is drawn up the states are competent to run the training centres themselves, suited to their individual requirements. This scheme may be transferred to the states.</p>

1	2	3	4
		<p>Madhya Pradesh, Madras, Orissa, Rajasthan and Uttar Pradesh and 385 persons have been trained so far. The recurring expenditure for one centre is about Rs. 40,000 per annum.</p> <p>The schemes received from the states are scrutinised at the centre and approved. 100% grant is given by the centre and out of the provision of Rs. 40 lakhs in the Third Plan about Rs. 9 lakhs have been spent. Rs. 40 lakhs have been provided in the Fourth Plan.</p>	
<p>3 Scheme for survey and investigation of ground water resources (centrally sponsored scheme).</p>		<p>Systematic ground water exploratory work is done by the Exploratory Tubewells Organisation (ETO). Deep drilling is done by the ETO. There are vast areas in the states, where ground water surveys and investigations by drilling up to 250 feet could be done without the assistance of the equipment and men of the ETO. The main objective of the scheme is to delineate ground water worthy areas and to provide technical assistance to the farmers in the construction of open wells and tubewells. This scheme was started with this aim in view in the Fourth Plan. For surveying an area of 6 lakhs sq. miles about Rs. 15 crores are to be spent. 1/3 of the total area is to be surveyed during the Fourth Plan and the expenditure shared between the centre and the states on 50:50 basis.</p> <p>A model scheme and guidelines were prepared by the</p>	<p>The very purpose of this scheme is to enable the states to carry out survey and investigation for ground water resources with their own men and machines. This scheme may be entrusted to the states and technical advice given by the ETO or by the Department of Agriculture, whenever the states require such help.</p>

1	2	3	4
		centre and the states were asked to send their schemes for scrutiny by the Central Ministry, in consultation with the Exploratory Tube-wells Organisation. Out of the budget provision of Rs. 10 lakhs for 1966-67 funds have been sanctioned to the following states:—	
			Rs. in lakhs
		Mysore ..	2.00
		Rajasthan ..	2.53
		Maharashtra ..	0.95
		Kerala ..	1.00
		Orissa ..	1.75
		Bihar ..	1.75
		This is, at present, a centrally sponsored scheme for two years and a review is to be made of the implementation of the programme and further decision taken for the remaining period.	
4	Subsidy on electricity rates for agricultural purposes (centrally sponsored scheme).	In order to promote lift irrigation in the country, state governments were advised by the centre from time to time to lower the rates of electric supply for this purpose. With a view to encouraging agricultural pumping programme the centre has decided to subsidise electricity rates where these are in excess of 12 paise per unit, for a period of 3 years commencing from 1966-67. The subsidy is to be shared between the centre and the states equally. The rates in force on the 1st of January, 1966 or the rates prevailing at any later time, whichever are lower, are to be taken into account for the purpose of ascertaining the excess of	
		In this scheme the basic idea is to subsidise the rates of electric supply for agricultural pumping and the centre does nothing except to share the cost of subsidy with the states. The scheme need not, therefore, be continued as a centrally sponsored scheme.	

1	2	3	4
		electricity rates for agricultural purposes.	
		A provision of Rs. 305 lakhs has been made in the Fourth Plan.	
5 Ayacut development programme (centrally sponsored scheme).		This is a new scheme in the Fourth Five Year Plan with an outlay of Rs. 80 crores and aims to ensure speedy and optimum agricultural benefits from the irrigation projects. It envisages an integrated approach, using improved agricultural practices in relation to irrigated farming, co-operation and development of rural industries. A guideline for the formulation of this scheme was forwarded to the state governments. The programme may vary in details from region to region and approach to approach but its essential ingredients are as under:	It has already been decided by the Planning Commission in January, 1967, that the scheme should be transferred to the state sector. The total outlay of this scheme will form part of the outlay of the states, and the central share for the scheme will be available as central assistance over and above the amount already agreed to for the states' plan. Central assistance will be earmarked and any shortfall in the annual plan expenditure on the scheme would entail a shortfall in payment of central assistance.
		<ol style="list-style-type: none"> 1. Crop planning and regulation of irrigation supplies providing supplemental irrigation wherever necessary and feasible. 2. Proper distribution and application of irrigation water — provision of adequate drainage facilities. 3. Land shaping and consolidation of holdings. 4. Soil survey for efficient crop and water use planning. 5. Arrangements for supplies and complementary inputs. 6. Extension and demonstration. 7. Financial arrangements to meet the credit needs of the cultivators. 	

1	2	3	4
		8. Co-operative storage and marketing facilities.	
		9. Communication and agro-industrial development.	
		The scheme aims to cover the unutilised irrigation potential in the country, which is at present of the order of 4 million acres. About 2 million acres are to be covered during the Fourth Plan and the programme will be implemented in compact blocks each covering an area of about 5,000 to 10,000 acres. The amount to be incurred on a 10,000 acre block has been estimated at Rs. 40 lakhs.	
		The state governments were asked to prepare detailed schemes and these were examined at the centre. A provision of Rs. 120 lakhs as central expenditure was made in the budget for 1966-67. The expenditure on the scheme is to be shared equally between the centre and the states.	
6 Water resources and agricultural study in Punjab and Haryana (central scheme).		This is a new scheme in the Fourth Five Year Plan. An agreement has been entered into with the United States of America by the Government of India for technical and financial assistance for the project. Details of the scheme are being worked out in consultation with the Governments of Punjab and Haryana.	
		Rs. 3 crores have been provided in the Fourth Five Year Plan and a budget provision of Rs. 5 lakhs was made for the year 1966-67.	
		As collaboration with a foreign government and co-ordinated work by the two newly created states are involved, this scheme could remain as a central plan scheme.	

Annexure IV
(See paragraphs 7.1 and 7.2)

Minor Irrigation Division

Items of Work Dealt with in the Tubewells Section

S. No.	Name of the scheme	Brief description	Remarks
1	2	3	4
1	Training on ground water and water well techniques (central scheme).	<p>This scheme was started with a view to orienting technical men with basic ground water background towards the science of water well construction (dug wells and tubewells) and to make them conscientious of the importance of analysis of hydrological data related to ground water development. The Chief Engineer, Exploratory Tubewells Organisation is in overall charge of the scheme whose role is to scrutinise and co-ordinate the scheme, inspect the training centres and watch the progress of the implementation of the scheme. About 30 officers of the state governments are taken at each centre for undergoing the training course of 9 weeks duration. The deputed trainees are given stipends for the training period under the provision of the training scheme and their pay, travelling and other expenses are borne by the states.</p> <p>On completion of the training, the officers will conduct the actual technical survey related to dug wells and tubewells siting and ground water development investigations in the states. The Exploratory Tubewells Organisation looks after the training imparted.</p>	<p>Both because of administrative convenience and because of the paucity of qualified geohydrologists it is neither possible nor desirable at this stage to decentralise this scheme. However, this is not a scheme involving training of a foundational nature and substantive training is clearly the responsibility of the states for it is they who will utilise the services of the trainees. In such a situation, therefore, while the scheme should be implemented by the centre (as a service agency) the states should bear the cost of training by paying capita-tion charges. They can then be expected to take real interest in the training to depute suitable persons for it and utilise them appropriately after training.</p>

1	2	3	4
		<p>The training has started at Dehra Dun and two other centres are likely to be opened shortly. Approximately Rs. 40 lakhs have been provided in the Fourth Plan.</p>	
<p>2 United Nations Development Programme (UN DP)—Project on ground water surveys in Uttar Pradesh and Rajasthan (central scheme).</p>		<p>This scheme is executed by the Exploratory Tubewells Organisation and is directed towards undertaking extensive pre-investment ground water development surveys in selected areas of Rajasthan and Uttar Pradesh. The technique evolved will help ground water assessment. The amount tentatively provided in the Fourth Plan is about Rs. 50 lakhs which does not include the foreign exchange available under the UNDP.</p> <p>This programme will help the states in their development regarding utilisation of ground water for agricultural needs as the project aims at the total evaluation of underground resources in the pilot areas and budgeting of the same for future needs. To start with, survey work is being undertaken in the Rajasthan areas.</p>	<p>As collaboration with the United Nations Development Programme is involved, the scheme, the duration of which is only 4 years, could remain as a central scheme. Further, the survey is to be done entirely by the central officials belonging to the Exploratory Tubewells Organisation.</p>
<p>3 Scheme of the Exploratory Tubewells Organisation (central scheme).</p>		<p>Systematic ground water exploratory work was started in India in 1954-55 under the Dollar Aid received from the Technical Co-operation Mission (TCM) of the U.S.A. The Exploratory Tubewells Organisation was set up in 1954 for this purpose. The Geological Survey of India was also associated with the project</p>	<p>The three issues involved here relate to:—</p> <ol style="list-style-type: none"> (1) the technical and administrative competence of the states to undertake this work; (2) the administrative feasibility of decentralisation; and (3) the willingness of the states to spend the money required on this activity.

1	2	3	4
		<p>for geo-hydrology and geo-physical work. Four agreements called Operational Agreements (OA) Nos. 6, 12, 42 and 49 were signed with the TCM. The work under the agreements has almost ended. The ETO is now concerned directly with OA 12 and indirectly with OA 6 and OA 49 only.</p> <p>The exploratory work aims at delineating areas suitable for ground water development by means of irrigation tubewells, the general yardstick for the capacity of a successful tubewell being 20,000 gallons per hour at 20 feet draw down. The successful tubewells are transferred to the state governments for use as agricultural wells and the cost of these wells is treated as long-term loan to the state governments. No charge is made for an unsuccessful boring. During the Second Plan, 350 tubewells were tried, out of which 179 proved successful. During the Third Plan period 67 tubewells proved successful out of the 201 tubewells drilled. Rs. 1,42,76,839 were sanctioned as long-term loan for the successful tubewells, up to the end of the Third Five Year Plan.</p> <p>The ETO is also concerned with the construction of production tubewells on 'deposit' work basis on behalf of the state governments and others subject to the availability of spare capacity.</p>	<p>Regarding the first two it may be said that it would neither be possible nor desirable to decentralise the schemes. Decentralisation will be uneconomical and will also involve more foreign exchange. Administratively it is best that the scheme at this stage is operated upon centrally.</p> <p>Regarding the financing of the scheme, the approach, in principle, should be that for the reasons mentioned above, the centre should undertake this activity as a service to the states but that the payment for this service should be made by the states. Because of the uncertain returns the states may be unwilling to pay for this work. It is considered that if there is stark need for such a programme and if on the whole it is clearly beneficial there is no reason why the states should not pay for it. If they refuse to pay for it its overall utility can be questioned.</p>

Annexure IV—concl'd.

1	2	3	4
<p>There are four divisions under the Exploratory Tubewells Organisation and the divisions are shifted from one state to another for the exploratory work.</p>			

NOTE—In addition, this section deals with routine matters concerning state tubewell schemes and programmes and for making arrangements for drilling machines, etc., involving foreign exchange.

Study III

NATIONAL CO-OPERATIVE DEVELOPMENT CORPORATION

FORMATION OF THE NCDC

1. The National Co-operative Development Corporation (NCDC) is a statutory organisation constituted by the Government of India under an Act of Parliament. It was set up in March, 1963 as a successor to another statutory body called the National Co-operative Development and Warehousing Board established in 1956 in pursuance of the recommendations of the All-India Rural Credit Survey Report.

HISTORICAL BACKGROUND

2. The Rural Credit Survey Committee in its report had recommended :

- (i) the creation of a National Co-operative Development and Warehousing Board with the object of promoting the planned development throughout the country of co-operative credit, marketing, processing, storage and warehousing;
- (ii) the creation of an All-India Warehousing Corporation for constructing and running licensed godowns and warehouses at suitable places of all-India importance; and
- (iii) the creation of state warehousing corporations for constructing and running licensed warehouses at suitable places in the states.

The Board was to be a policy-making, promotional and financing body. The warehousing corporations were to function as business organisations subject to the general directions of the Board.

The Government of India broadly accepted these recommendations and it was originally proposed to constitute a National Co-operative Development Board and an All-India Warehousing Corporation both being independent organisations. The Board was not to be in charge of planning and policy-making in relation to warehousing but was to hold shares in the All-India Warehousing Corporation. These proposals were approved by the Cabinet in April, 1955 as a suitable basis for consultation with the state governments.

Final proposals on the above lines were formulated but the Ministry of Food and Agriculture in the light of the discussions with state ministers suggested a reconsideration of the decision that the All-India Warehousing Corporation and the National

Co-operative Development Board should be two independent organisations. It was urged that there was no need to have two such independent organisations under the same Ministry and that they should be interlinked with each other. The Cabinet in August, 1955 approved the modified proposal and the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 was passed in June, 1956. The Board and the Corporation came into being with effect from the 1st of September, 1956 and the 2nd of March, 1957, respectively. The National Co-operative Development Board and the Central Warehousing Corporation were closely interlinked in their Directorates and the National Co-operative Development Board had supervisory powers over the Central Warehousing Corporation. When the Department of Co-operation was created in January 1959, it was decided to allocate the business of the National Co-operative Development Board to the Department of Co-operation and the business of the Central Warehousing Corporation to the Department of Food. As a result, the administration of these two bodies vested in two different ministries. To rationalise the arrangements the Government enacted legislation in 1962 for the creation of a separate corporation which was to deal with the promotion of co-operation in regard to the articles listed in Entry 33 of the Concurrent List.

FUNCTIONS

3. The main functions of the Corporation are:—

- (i) to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through co-operative societies;
- (ii) to advance loans or grant subsidies to state governments for financing co-operative societies and for the employment of staff for implementing programmes of co-operative development;
- (iii) to provide funds to the state governments for financing co-operative societies for the purchase of agricultural produce and notified commodities on behalf of the Central Government; and
- (iv) to plan and promote programmes through co-operative societies for the supply of seeds, manures, fertilisers, agricultural implements and other articles for the development of agricultural produce.

The role of the Corporation thus is to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through co-operative societies. The Corporation is thus

essentially charged with responsibilities in the fields of co-operative agricultural credit, marketing, processing, supply of agricultural inputs and storage. In consultation with the states, it draws up an annual programme, listing physical targets and financial outlays. After the Central Government has approved the programme, the Corporation assists the states in implementation. Besides financial aid, the assistance to the states is provided through various promotional measures such as circulation of model blueprints for co-operative processing, supply of designs for rural and mandi-level godowns, identification of areas offering scope for development, laying down of guidelines for location of godowns, etc. The Corporation also pools the successful experience of various states in the field of co-operative marketing and processing and transmits it to others. In certain crucial sectors, the Corporation finances schemes either of a pilot or supplementary nature from its own funds.

CONSTITUTIONAL
POSITION

4. Although 'Co-operative Societies' come under the State List 'Co-operation' is not mentioned as a specific entry in any of the three lists in the Seventh Schedule to the Constitution. With the object of promoting planned development of co-operative credit, marketing, processing, storage and warehousing throughout the country, the Rural Credit Survey Committee had recommended the creation of the National Co-operative Development and Warehousing Board (NCD&W Board). At the time of drafting the Agricultural Produce (Development and Warehousing) Corporations Bill, 1955, the view of the Agriculture Ministry was that the scope of the Bill should be extended not only to all the agricultural commodities, but also to forests, fisheries, horticulture and live-stock. The main reason for holding this view was that the functions of the Board were to be mainly of a planning nature and financial assistance was proposed to be given to the state governments without impinging on the state sphere of activity. However, on the basis of oral advice tendered by the then Attorney-General for India, the scope of the Act was confined to those activities which were relatable to Entry 33 of List III (*Annexure I*). The argument stated to have been advanced by the Attorney-General was that the legislative powers conferred by Entries 43 and 44 (relating to incorporation, regulation and winding up of corporations) of List I could not be so exercised as to affect the legislative powers conferred on state legislatures unless the centre was prepared to go to individual state legislatures and get them to pass resolutions authorising the Central Government to undertake legislation in respect of the other commodities also. Were it otherwise, Parliament by resorting to the device of constituting

a corporate body could successfully invade the state fields. Thus the scope of the definition of 'agricultural produce' was restricted to the articles mentioned in Entry 33 of List III. However, it may be mentioned that Entry 33 itself was included in List III as the centre considered it necessary to retain in some form or other the powers to control the production, supply and distribution of the articles mentioned in the Entry. Although commodities other than agricultural produce did not figure in the erstwhile Agricultural Produce (Development and Warehousing) Corporations Act, 1956, Section 2(e) of the NCDC Act, 1962 extends the scope to other commodities also if notified under the Act. A "notified commodity" means

"any commodity (other than agricultural produce) which the Central Government may, by notification in the Official Gazette, declare to be a notified commodity for the purposes of this Act, being a commodity with respect to which Parliament has power to make laws by virtue of Entry 33 in List III in the Seventh Schedule to the Constitution."

This gives a very wide scope to the NCDC. It can bring within its fold all commodities mentioned in the First Schedule to the Industries (Development and Regulation) Act, 1951. Soap, match boxes, kerosene oil, textiles, cement and tea have recently been notified at the instance of the NCDC to enable it to assist such of the co-operative societies whose field of activity covers items other than 'agricultural produce'. It would thus appear that although conceived as a body for promoting co-operation in the rural field, during the process of hammering out the law this body was also given powers to undertake promotional activities outside the agricultural field.

ORGANISATION

5. Organisationally, the Corporation is in the nature of a standing commission. It has no board of directors as such. Its principal administrative organs consist of the Corporation and an executive committee. The Corporation comprises 20 members, both officials and non-officials, connected with co-operative development. The Union Minister of Food, Agriculture, Community Development and Co-operation is the Chairman of the Corporation. Among the official members are Secretaries to the Planning Commission and to the Ministry of Food, Agriculture, Community Development and Co-operation as well as senior officials representing the Ministries of Commerce and Finance. The Deputy Governor of the Reserve Bank of India and the Managing Directors of the State Bank of India, Food Corporation of India and Central Warehousing Corporation are also members

of the Corporation. There are eight non-official members who include eminent co-operators and experts in the field of rural economics and co-operation.

EXECUTIVE COMMITTEE

6. The Corporation is assisted by an executive committee constituted by the Central Government under Section 10 of the NCDC Act, 1962. The executive committee of the Corporation consists of seven members with the Union Deputy Minister (Co-operation) as Chairman. Other members include two non-official co-operators, the Deputy Governor of the Reserve Bank of India, Secretaries in the Union Departments of Co-operation and Agriculture and a representative of the Ministry of Finance.

FUNCTIONAL COMMITTEES

7. For consultative purposes, the Corporation has constituted three Functional Committees under Section 11 of the NCDC Act, 1962, viz., the Functional Committee on Co-operative Agricultural Credit, the Functional Committee on Co-operative Agricultural Marketing and Processing and the Functional Committee on Co-operative Agricultural Supplies and Storage. These committees comprise subject-matter experts, key officials of state and national co-operative federations and Registrars of Co-operative Societies.

ADMINISTRATION

8. The administration of the Corporation is carried on by its Secretary who is the chief executive officer of the Corporation. A copy of the organisation chart of the Corporation may be seen at *Annexure II*.

FUNDS

9. The Corporation has no equity capital nor does it raise any funds by borrowing from the market. Its funds are derived primarily by way of loans and grants from the Central Government. The Corporation maintains a fund called the National Co-operative Development Fund which is not lapsable. This is built from the following sources :—

- (a) funds inherited from the erstwhile National Co-operative Development and Warehousing Board:

The erstwhile NCD&W Board used to receive the entire amount required by them for making loans and grants to the state governments as a grant from the Central Government. The repayments of loans by the state governments were accumulated in the Corporation's fund. The intention was that in course of time the Board would build up a sizeable corpus of its own so as to be able to finance co-operative development schemes without any outside assistance from the Government under the NCDC Act, 1962. The Corporation had inherited a sum of Rs. 20.33 crores from the erstwhile NCD&W Board. A sum of Rs. 19 crores has been loaned to the state governments for

various schemes and the cash balance of the Corporation as on the 31st of March, 1966 was Rs. 1.90 crores.

- (b) grants and loans annually sanctioned by the Central Government to enable the Corporation to give assistance to the states:

The Central Government is required to give to the Corporation loans and grants to the extent required for giving loans and subsidies to the state governments as assistance for plan schemes. The loans and grants which are given to the Corporation by the Central Government for various plan schemes undertaken by the state governments are passed on to the state governments concerned by the NCDC after watching the progress of the schemes.

- (c) additional grants made by the Central Government for the purpose of the National Co-operative Development Corporation Act:

Since the entire funds given by the Central Government to the NCDC are passed on to the states the NCDC is not left with any surplus amount to build up its own fund so as to make it self-reliant. To mitigate this difficulty and to enable it to maintain a fund under Section 13 of the Act, the Central Government gives a subsidy equivalent to the interest paid by the Corporation on the loans received from the Central Government. This is, however, an administrative decision and the Central Government is not bound by statute to respect it.

- (d) repayment of loans, interest on loans and dividends on investments:

These represent the amount of loans repaid by the state governments, the interest on them and income on investments.

CATEGORISATION OF ACTIVITIES

10. The activities performed by the NCDC have been studied in detail and are broadly categorised below:—

- I. providing leadership and initiative to the states and serving as a clearing house of information;
- II. undertaking the responsibility for drawing up the national plan;
- III. taking initiative in evaluating programmes with the object of locating problems and taking remedial measures;
- IV. providing a forum and meeting ground for the state representatives for the exchange of ideas on different subjects and for the evolution of guidelines;
- V. all-India and inter-state federations;

- VI. matters relating to the United Nations/foreign countries and other foreign agencies;
- VII. sponsoring and financing of schemes out of its own corpus; and
- VIII. involvement with actual centrally aided and centrally sponsored schemes.

Activities mentioned at (I) to (VI) have necessarily to be retained by the centre as they flow from its role as leader, innovator and technical guide. The activities mentioned at (VIII) should be decentralised. A fuller discussion of the activities to be decentralised (item VIII) may be seen in paragraphs 11 to 14 and at *Annexure III*. The functions/schemes which have to be retained by the Corporation may be seen at *Annexure IV*. The decentralisation and retention proposed here broadly follow the principles laid down in Chapter XI and have regard also to feasibility. There is, however, one significant departure. Schemes financed from within its own corpus have been mentioned in the list of activities to be retained. This has been done not because these schemes are inherently fit for retention at the centre but only because the corpus has an independent entity and, as long as the Corporation itself exists, may well be allowed to continue and retain its separate existence. Regarding the continuance of the Corporation itself we have not made any comments as this is not an organisational study. Assuming that the Corporation will continue, the corpus has been proposed for retention. Otherwise, the bulk of the corpus schemes can also be decentralised in accordance with the same principles.

In the subsequent paragraphs we discuss first the activities that can be decentralised and later those that should be performed by the centre and the extent to which they are being performed.

ACTIVITIES
THAT CAN
BE DECENTRALISED

11. Involvement with actual centrally sponsored and centrally aided schemes (item VIII) is in the following respects :—

- (a) the formulation, sanction and scrutiny of centrally sponsored schemes;
- (b) sanction and release of financial assistance for centrally aided and centrally sponsored schemes;
- (c) follow-up action of measures suggested for accelerating progress; and
- (d) field investigation of utilisation of financial assistance by various states and follow-up action thereon.

While a fuller discussion of the activities that should be decentralised (item VIII) is available in *Annexure III*, a brief recapitulation of the main points may be seen in the paragraphs following.

Centrally
sponsored
schemes

12. The centrally sponsored schemes may be taken first. The NCDC has the following centrally sponsored schemes :—

- (1) agricultural credit stabilisation fund;
- (2) establishment of export-oriented processing unit such as solvent extraction plant, fruit and vegetable processing units and modernization of rice mills;
- (3) subsidy to primary marketing societies for distribution of consumer articles in rural areas; and
- (4) special assistance to the eastern states and Rajasthan.

None of the schemes in this list conforms to the criteria laid down by the Planning Commission for centrally sponsored schemes which are : (i) they should relate to demonstration, pilot projects, survey and research; (ii) they should have a regional or inter-state character; (iii) they should require lump sum provisions to be made until they can be broken down territorially; and (iv) they should have an overall significance from the all-India angle. There appears to be no necessity of foisting the centre's judgement on the states regarding the necessity of any of the centrally sponsored schemes in this sector. Except for providing broad guidelines, the centrally sponsored schemes should be completely decentralised. If, on an overall view of the entire development programme, any schemes in the co-operative sector are considered to be of overriding priority, central assistance can be tied to them.

Sanction and
method of
release of
funds for
centrally
aided and
centrally
sponsored
schemes

13.1 In regard to various centrally aided schemes the Corporation grants long-term loans as well as subsidies to the state governments for the following purposes :—

Loans

- (i) to subscribe to the share capital of marketing and processing co-operatives;
- (ii) to grant loans for construction of godowns by village co-operatives, marketing and processing societies;
- (iii) to grant loans for construction of co-operative cold storages and setting up of processing units;
- (iv) to grant loans to marketing and processing co-operatives for purchase of transport vehicles;

Grants

- (v) to grant subsidies to village marketing and processing societies for construction of godowns;
- (vi) to grant subsidies to large-sized credit societies and marketing/processing societies for hiring of godowns;
- (vii) to grant subsidies to marketing and processing societies to establish grading units;
- (viii) to grant managerial subsidies to co-operative credit, marketing and processing institutions at various levels;
- (ix) to make outright grants towards special bad debt reserves of central co-operative banks and primary agricultural credit societies; and
- (x) for employment of additional departmental staff in state co-operative departments.

The centrally aided and centrally sponsored schemes of co-operative development included in the Fourth Five Year Plan which are operated by the NCDC are listed in *Annexure VI*. The NCDC examines broadly the details and releases assistance in instalments after watching the progress of schemes.

13.2 For state plan schemes the central assistance is released by the NCDC. An interesting feature obtaining in this organisation is that apart from working as an autonomous corporation created under the Act, it is also functioning as the Marketing Wing of the Ministry of Food, Agriculture, Community Development and Co-operation (Department of Co-operation). Thus, all the central assistance falling under the subjects dealt with by the Corporation is passed on to the state governments through this Corporation. For schemes other than those falling under heads : co-operative credit, marketing, processing, storage, supplies and godowns the central assistance to the state governments for various plan activities pursued by them in the state sector is passed on to them by the Department of Co-operation themselves in much the same way as is done by the Department or Agriculture or for that matter any other department of the Central Government. Another feature of the working of this arrangement is that, unlike other sectors of economy, ways and means advances are not given to the states against plan schemes for adjustment against central assistance at the end of the year. All the plan schemes included in the state sector which fall within its jurisdiction are released their financial assistance from this Corporation. In fact, before any assistance is released by the Registrars of Co-operative Societies in their region they have to send to the Corporation in a prescribed form various details, viz.,

the names of the society, actual expenditure already incurred, anticipated expenditure during the remaining part of the year and some other relevant details to get the proportionate share of the assistance promised by the Central Government. No detailed scrutiny is, however, done at the central level but on the basis of facts intimated in the prescribed form financial assistance is released in one lump sum or in two instalments depending upon the type of schemes.

13.3 Thus within the 'co-operative' sector two different methods of release of assistance are followed, one by the NCDC and the other by the Department of Co-operation. For 'co-operative farming' and 'training & education', the Department of Co-operation issues sanctions sometime in March for central assistance to be adjusted against ways and means advances made to the state governments. By linking release of funds with the progress of expenditure and implementation of schemes, the NCDC endeavours to ensure proper utilisation of funds by the states and has met with increasing success in recent years. However, except for the release of assistance for the schemes sponsored and financed by the Corporation from its own corpus, there is no reason why the state governments should not be relied upon for releasing assistance to societies themselves, obtaining utilisation statements from the societies and having on the spot investigations, if lump sum assistance for plan schemes is placed at their disposal. This will obviate the necessity of the Registrars of Co-operative Societies having to send the details and of the NCDC having to scrutinise them. An avoidable load of work and unnecessary centralisation of functions at the headquarters can be done away with. Besides, this scrutiny is squarely the responsibility of the Registrars and not that of the centre, which, incidentally does the scrutiny on the basis of arranged information supplied by the Registrars. This spoon-feeding is unnecessary and undesirable. The Registrars of Co-operative Societies should be authorised to release assistance to co-operative societies in the same number of instalments as are prescribed by the NCDC. The Corporation will thus be divested of its functions in regard to scrutiny of each type of scheme and release of grants and loans and ancillary work.

Field work

14. As a result of this decentralisation most of the field work mentioned at (c) and (d) in paragraph 11 will devolve on the states as pointed out in the details at *Annexure III*.

EXTENT
OF DECEN-
TRALISA-
TION

15. If the analysis here is accepted as correct work relating to the release of central assistance of about Rs. 102 crores during 1966-67 to 1970-71 in respect of centrally aided and centrally

sponsored schemes would be decentralised. Work relating to schemes worth Rs. 19 crores financed out of the corpus will be retained.

**CAPACITY
AT THE
STATE
LEVEL**

16. A point that would now arise is whether it will be possible for the Registrars of Co-operative Societies to undertake this activity. This will not pose any problem, as the bulk of the work of this nature is in any case being handled at present by them. The NCDC has already taken the initiative for strengthening the state departments of co-operation at all levels and has provided substantial aid to state governments for this purpose. There may, however, be several technical problems, e.g., problems of installation, managerial problems, operational problems and problems relating to working capital and block capital requirements for which the NCDC may continue to provide technical guidance as at present.

**FUNCTIONS
TO BE RE-
TAINED**

17.1 The analysis done so far indicates what functions the Corporation has been performing which should in fact have been performed by the states and should be decentralised. It would be of interest to note how effectively it has been able to discharge some of the basic functions that flow from its role as leader, disseminator of information, planner and evaluator.

**Sponsoring
and financ-
ing of sche-
mes from its
own corpus**

17.2 In certain crucial sectors, the Corporation sponsors and finances schemes from its own corpus owing to paucity of plan funds. A list of such schemes is at *Annexure V*. In respect of these schemes the Corporation generally provides assistance to the state governments to the full extent of the assistance sanctioned by them to the co-operatives concerned. Such assistance is given outside the state plan ceilings. The rate of interest charged in respect of the loans sanctioned for the Corporation schemes is the same as that charged for the loans given for the normal plan schemes. The interest on such loans is the income of the Corporation and is credited to its funds. During 1966-67 the assistance granted to the state governments out of its own funds was of the order of Rs. 2.31 crores. Up to the end of March, 1967, such assistance was of the order of Rs. 10.10 crores. Some of the schemes in this category are:—

- (a) development of hybrid seed producer co-operative processing-cum-marketing societies on a pilot basis;
- (b) scheme for fabrication of agricultural implements by selected co-operative marketing societies;
- (c) scheme for establishment of formulation units for pesticides/insecticides by apex marketing societies; and

- (d) establishment of granular fertiliser plants in five selected apex marketing societies.

These schemes receive technical and financial sanction by the NCDC before they are taken up for implementation by the states. In accordance with the remarks in paragraph 10, this function may continue to be handled by the NCDC as it would be anxious to see that the funds are properly spent on activities it desires to be undertaken.

Serving as a clearing house of information

17.3 The NCDC holds various meetings of key executives at the state level and of functional offices and experts for the exchange of ideas. The experience of the states in regard to the working of co-operative schemes is passed on to other states. Problems faced by the states in implementation of various schemes are discussed at the centre or through personal visits. Various pamphlets and brochures are also brought out by it and circulated to all the states. The NCDC examined the directory of wholesale produce establishments brought out by the Directorate of Agricultural Marketing and Inspection, Nagpur and asked the Registrars of Co-operative Societies of all the states to initiate steps to find out which of the wholesale markets in the states were covered and which remained uncovered by the co-operative marketing societies.

Drawing up of the national plan

17.4 In the drawing up of the national plan the NCDC undertakes areawise and commoditywise planning, identification of special areas offering potential for the development of processing co-operatives and formulation/scrutiny of five year plans and annual plans relating to co-operative marketing, processing, storage and supplies.

Research and training

17.5 Research at the national level and foundational training fall outside the purview of the functions of the NCDC. These functions are looked after by the National Co-operative College and Research Institute, Poona and the Committee on Co-operative Training. This is discussed further in paragraphs 18 and 19.

Evaluation

17.6 The evaluation of schemes has not received much attention mainly because it is too early to evaluate these schemes. There is no single organisation or agency in India solely devoted to the task of evaluation of work relating to co-operative development. Short-term evaluation is undertaken by preparing annual reviews in regard to various programmes of co-operative marketing and processing based on data collected from the states. These are very useful for getting a total picture of the work done by the states. In addition, the NCDC has undertaken

special studies, *e.g.*, working results of co-operative cold storage societies, impact of outright grants for special bad debt reserves on weaker sections of the community etc. The Corporation should create organisational and other facilities for conducting a long-term evaluation of schemes undertaken by it. The evaluation work to be done by the NCDC should, however, be complementary to that being done by the state co-operative departments, if any.

Conferences and seminars

17.7 The NCDC conducts various conferences and seminars of key executives at the state level, thus providing a good forum and meeting ground for the exchange of ideas. It also holds meetings of functional officers (expert level) of various states to discuss and exchange views on problems relating to individual societies. Discussions in various conferences and meetings enable the Corporation to evolve a common policy after taking into account the experience of various agencies in the states. Guidelines are thus evolved and suggested to the states concerned.

Guidelines

17.8 To the extent the NCDC prepares model blueprints and guidelines in respect of plan schemes, provides technical guidance to the states, sponsors and finances schemes of crucial importance out of its corpus, provides liaison with other central ministries, and arranges for meetings of key officers at the state level, it may be concluded that it discharges properly the function of providing initiative and leadership. A good beginning has been made by the NCDC in arousing the interest of the states in co-operative development. Thus schemes have been evolved for the fabrication of agricultural implements by selected co-operative marketing societies, the establishment of formulation units for pesticides/insecticides by apex marketing societies and the establishment of granular fertiliser plants in selected apex marketing societies.

TRAINING

18. 'Training' falls outside the purview of the functions of the NCDC. At the central level, the National Co-operative Union of India (NCUI) is charged with the responsibility of overall training. The NCUI has constituted a committee for training in co-operation in consultation with the Government of India. This Committee is in overall charge of the co-ordination of programmes of this training in the country. It administers 13 intermediate training centres and the National Co-operative College and Research Institute at Poona. The NCDC, however, helps the Committee on Co-operative Training in drawing syllabi and other details of various schemes of co-operative training.

RESEARCH

19. Research on various aspects of co-operation is sponsored and conducted by the National Co-operative College and Research Institute, Poona. To start with, a research project on the linkage of co-operative credit and marketing has been undertaken. Other studies of regional and national importance, *e.g.*, study of the content and adequacy of the supervision machinery with reference to the working of primary agricultural co-operative societies have been taken in hand. The taking up of these functions by the NCDC will be a mere duplication, which may be avoided.

NATIONAL
UNIONS

20. In the ultimate analysis, the objective is to strengthen national unions and to entrust to them the functions which are presently performed by the NCDC. In other words, it will be the co-operative federations at the national level which will be responsible for promoting, planning and financing the schemes to be undertaken by co-operatives with the help of central funds, if needed. They will be the regulatory organisations of the entire co-operative movement in which case both the Central and state governments will shed their respective powers and functions in favour of these all-India bodies.

CONCLU-
SIONS

21. To conclude :

1. the NCDC should shed the work relating to the release of central assistance for centrally aided and centrally sponsored schemes to the states (paragraphs 12, 13.2 and 13.3);
2. it may continue to finance schemes out of its corpus and exercise the same control as at present (paragraph 17.2).

Annexure I
(See paragraph 4)

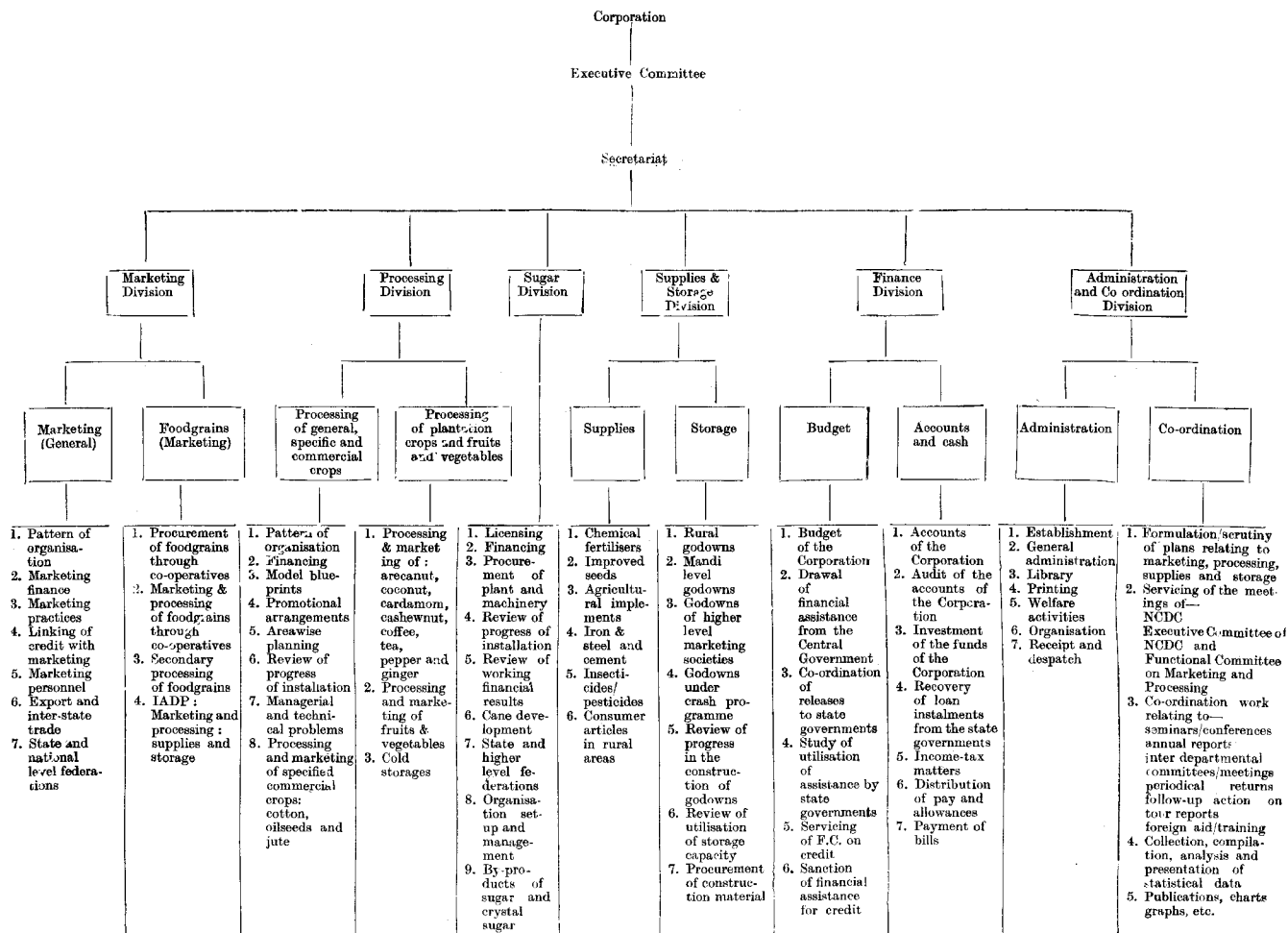
Entry 33 of List III of the Seventh Schedule to the Constitution

Trade and commerce in, and the production, supply and distribution of:

- (a) the products of any industry where the control of such industry by the Union is declared by Parliament by law to be expedient in the public interest, and imported goods of the same kind as such products;
- (b) foodstuffs, including edible oilseeds and oils;
- (c) cattle fodder, including oilcakes and other concentrates;
- (d) raw cotton, whether ginned or unginned, and cotton seed; and
- (e) raw jute.

National Co-operative Development Corporation

Organisation and Functions



Annexure III

(See paragraphs 10, 11 and 14)

National Co-operative Development Corporation

Functions that may be decentralised to the states

S. No.	Functions/Schemes	Nature of functions	Remarks
1	2	3	4
	<i>Involvement with actual centrally aided and centrally sponsored schemes</i>		
	A—Centrally aided schemes		
1	Managerial subsidy to Village co-operatives, central co-operative banks, apex co-operative banks and land mortgage banks.	1. Sanction and release of financial assistance to the state governments for various centrally aided and centrally sponsored schemes.	1. The Corporation is at present releasing central assistance for various centrally aided schemes in the state sector on the basis of the progress of implementation of schemes conveyed to them by the concerned state governments. In other sectors, e.g. the agriculture and animal husbandry sectors, 10/12th of the total central assistance is released to the states in the form of 10 monthly instalments beginning from April and the balance at the end of the year on the basis of estimated expenditure. As compared to this procedure the NCDC is releasing central assistance in two instalments, or in one lump sum on receipt of information regarding names of societies concerned, actual expenditure already incurred and the anticipated expenditure during the remaining part of the year. There is no justification for this double scrutiny being carried on both at the level of state governments as well as the Central Government. Nor does the NCDC contribute tangibly by way of scrutiny—technical or otherwise. On the
2	Outright grants for contribution to special bad debt reserve of village co-operatives and co-operative banks.	2. Checking up of utilisation statements and follow-up action thereof.	
3	Relief and guarantee fund.	3. Correspondence with state Accountants General regarding verification of figures of expenditure and utilisation certificates.	
4	Share capital contribution to marketing societies.	4. On the spot investigations of utilisation position of funds and visits to co-operative institutions.	
5	Managerial subsidy to marketing societies.	5. Preparation of utilisation reports and follow-up action on them.	
6	Subsidy to apex marketing societies for creation of common cadre of personnel.		
7	Subsidy to marketing societies for contribution to price fluctuation fund.		
8	Subsidy to marketing societies for establishment of grading units.		

Annexure VI—concl'd.

1	2	3	4
9	Loans to marketing societies for purchase of trucks.		other hand, the state governments are put to a great deal of delay and unnecessary exchange of correspondence and notes. Similarly, on the spot visits for investigating utilization position of the assistance in various states by the NCDC except for overall evaluation is uncalled for. This should be completely decentralised. There may be difficulties in initial stages but they will diminish as new attitudes are developed to take the place of old ones. The NCDC could, therefore, evolve steps for effective evaluation of the programmes which are assisted by the Central Government or by the Corporation out of its own funds.
10	Loans to sugar factories.		
11	Share capital and managerial subsidy to other processing societies.		
12	Loans for installation of cold storage plants.		
13	Loans and subsidies for godowns.		
14	Subsidy to the state co-operative departments for appointment of additional departmental staff.		
B—Centrally sponsored schemes			
1	Agricultural credit stabilisation fund (this is being transferred to the Department of Co-operation).		2. For schemes sponsored and financed by the Corporation out of its own corpus the existing procedure of linking releases with progress of schemes may continue for the present.
2	Establishment of export-oriented processing units such as solvent extraction plants, fruit and vegetable processing units, and modernization of rice mills.		
3	Subsidy to primary marketing societies for distribution of consumer articles in rural areas.		
4	Special assistance to the eastern states and Rajasthan (for 1967-68).		

Annexure IV
(See paragraph 10)

National Co-operative Development Corporation

List of functions to be retained at the central level

S. No.	Broad category	Detailed head	Remarks
1	2	3	4
I.	<i>Providing initiative and leadership to the states and serving as a clearing house of information</i>	<p>1. General matters relating to cooperative agricultural marketing :</p> <p>(1) pattern of organisation of marketing societies ;</p> <p>(2) share capital structure ;</p> <p>(3) marketing finance ;</p> <p>(4) marketing personnel ;</p> <p>(5) market practices ;</p> <p>(6) linking of co-operative credit with co-operative marketing ; and</p> <p>(7) inter-state and export trade.</p> <p>2. Co-operative marketing of foodgrains :</p> <p>(1) role of the co-operatives in procurement of foodgrains ;</p> <p>(2) modern rice mills;</p> <p>(3) conventional rice mills; and</p> <p>(4) role of co-operatives <i>vis-a-vis</i> Food Corporation of India.</p> <p>3. Marketing and processing of individual crops namely— (a) sugarcane (b) foodgrains</p>	<p>Most of the functions performed under this head are promotional and are of an initiative-oriented nature which the NCDC, being a central agency on co-operative marketing, is performing and has to perform in future. The functions relate to the preparation of blue prints or model schemes in respect of various activities like price fluctuation fund, co-operative rice mills, modern rice mills, standard viable units for processing industries, solvent extraction plants, multi commodity fruit and vegetable processing, co operative cold storage projects, report for establishment of insulation board plants, etc. These have to be handled at the central level. The functions include evolving of policy and of a co-ordinated approach to solution of problems.</p> <p>In short, the functions performed by the NCDC are in the nature of a liaison agency, a technical advisory body and a clearing house of information.</p>

1	2	3	4
		(c) cotton (d) groundnuts (e) fruits and vegetables (f) jute and plantation of crops and other commercial crops.	
		In regard to above, the NCDC's functions relate to:	
		(1) preparation of model blueprints;	
		(2) licensing problems;	
		(3) problems of installation;	
		(4) block capital requirements;	
		(5) working capital requirements;	
		(6) managerial problems; and	
		(7) operational problems.	
		4. Development of secondary processing and by-products industries in the co-operative sector, e.g. solvent extraction plants, rice bran oil, power alcohol, paper, vanaspati and spinning mills.	
		The NCDC's functions in regard to the above relate to the following :	
		(1) preparation of model blueprints;	
		(2) licensing problems;	
		(3) problems of installation;	
		(4) block capital requirements;	
		(5) working capital requirements;	
		(6) managerial problems; and	
		(7) operational problems.	
		5. Agricultural supplies (chemical fertilisers, seeds, implements, pesticides and insecticides).	

1	2	3	4
	<p>The NCDC's functions in regard to the above relate to—</p> <ol style="list-style-type: none"> (1) preparation of blue-prints; (2) problems and policies regarding distribution; (3) problems and policies regarding production ; (4) liaison with national/ inter-state bodies; and (5) technical and operational problems. <p>6. Rural supplies :</p> <p>Blueprints for centrally sponsored schemes for distribution of consumer articles in rural areas through marketing/village co-operatives.</p> <p>7. Budget : The functions include the following :</p> <ol style="list-style-type: none"> (1) preparation of budget estimates for various schemes of co-operative development coming within the purview of the Corporation based on working group discussions ; (2) computation of the Corporation's share of assistance on the basis of state budget provisions and Finance Ministry's allocations ; (3) obtaining of funds from the Central Government for various schemes falling under the category of : <ol style="list-style-type: none"> (a) centrally aided plan schemes ; and 		

1	2	3	4
		(b) centrally sponsored schemes ;	
		(4) submission of returns and statements to the Central Government under Section 14(1) of the NCDC Act; and	
		(5) work connected with the Audit and the Public Accounts Committee.	
		8. Seminars, conferences and meetings:	
		(1) seminars of key executives at state level engaged in various activities;	
		(2) conferences of state ministers in charge of co-operation, Registrars of Co-operative Societies and Joint Registrars concerned with the subjects;	
		(3) meetings of functional officers (expert level) of various states to discuss and exchange views on problems relating to individual activities; and	
		(4) publication of brochures/pamphlets, preparation of charts/graphs.	
		9. Miscellaneous functions :	
		(1) servicing of the meetings of the NCDC ;	
		(2) executive committee of the NCDC ;	
		(3) the functional committees on co-operative marketing and processing; and	
		(4) liaison with the central agency for the import of spare parts etc.	

1	2	3	4
	<p>II Undertaking responsibility for drawing up the national plan for the development of co-operative marketing, processing, storage and supplies.</p>	<ol style="list-style-type: none">1. Formulation/scrutiny of five year plans and annual plans relating to co-operative marketing, processing, storage and supplies at the national/state level.2. Advance statewise studies of plans of co-operative development in regard to co-operative marketing, processing, storage and supplies.3. Areawise planning/commoditywise planning.4. Identification of specific areas offering potential for development of processing.	<p>The NCDC is concerned with overall national planning on co-operative marketing and undertakes <i>inter alia</i> areawise planning, identification of specific areas offering potential for the development of various processing units, formulation of five year plans relating to co-operative marketing, compilation, analysis and presentation of statistical data.</p>
	<p>III Taking the initiative, in a limited way, in evaluating programmes with a view to locating problems and taking remedial measures on an overall basis.</p>	<ol style="list-style-type: none">1. General evaluation :<ol style="list-style-type: none">(1) preparation of annual reviews based on the data furnished by the state governments in regard to agricultural marketing, processing and supplies and storage;(2) specific evaluation : special studies on—<ol style="list-style-type: none">(i) utilisation of godowns,(ii) working results of cold storages,(iii) economic viability of rural godowns,(iv) marketing of paddy, wheat and jute in selected states,(v) effect of managerial subsidies on revitalisation of village societies.	<p>The NCDC being a central agency is concerned with evaluating the progress of various co-operative units with a view to locating problems and suggesting remedial measures. However, if the decentralisation of plan assistance and consequent scrutiny of schemes is agreed to, the NCDC will be concerned with evaluation only on an overall basis and with long-term evaluation.</p>

1	2	3	4
		<p>(vi) impact of outright grants for special bad debt reserves on weaker sections of the community,</p> <p>(vii) how to achieve co-ordination between short, medium and long-term credits, and</p> <p>(viii) review of working and financial results of sugar factories.</p>	
		2. Preparation of reviews :	
		(1) review of progress, installation and observance of performance trial of sugar factories;	
		(2) progress and problems—establishment of promotional cells ;	
		(3) progress and problems of co-operative marketing of cotton in different states —relations with textile mills;	
		(4) progress and problems of co-operative marketing of oilseeds in different states;	
		(5) co-operative marketing of jute—progress and problems;	
		(6) co-operative marketing of fruits and vegetables—progress and problems in different states;	
		(7) spot study of weaker units to find out the reasons for inefficiency and suggesting ways and means of introducing improvements;	
		(8) review of progress and organisational set-up of marketing of sugarcane through cane units in Uttar Pradesh, Bihar and Punjab ;	

1	2	3	4
		(9) progress and problems of distribution of chemical fertilisers and their sale promotion through co-operatives in the states; (10) progress and problems of distribution of seeds undertaken by co-operatives in the states; (11) progress and problems of distribution of agricultural implements by co-operatives in the states; (12) progress and problems of distribution of insecticides, pesticides through co-operatives in the states; and (13) undertaking studies regarding utilisation of storage capacity created in the co-operative sector.	
IV Providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guidelines.		1. Seminars of key executives at the state level engaged in various activities. 2. Conferences of state ministers in charge of co-operation, Registrars of Co-operative Societies and Joint Registrars concerned with the subject. 3. Meetings of functional officers (expert level) of various states to discuss and exchange views on problems relating to individual activities. 4. Publication of brochures/pamphlets, preparation of charts/graphs.	The NCDC conducts various conferences and seminars as well as meetings of Registrars of Cooperative Societies/co-operation ministers of states/key officers. Discussions with them enable the Corporation to evolve a common policy after taking into account the experience of various officers in the states. The guidelines thus evolved are communicated to the states for adoption.
V Dealings with all-India organisations.		1. All-India Federation of Co-operative Spinning Mills, Ltd. 2. National Federation of Co-operative Sugar Factories.	These are all-India/inter-state bodies. The Corporation has to provide financial assistance or deal directly with these bodies.

1	2	3	4
	<p>3. National Agricultural Co-operative Marketing Federation.</p> <p>4. All-India Central Land Development Banks Union, Ltd.</p>		
<p>VI <i>Matters relating to the United Nations/foreign countries/other foreign agencies.</i></p>	<p>Complex fertiliser plant with the techno-economic collaboration of the U.S.A. Co-operatives with the assistance of US AID/Co-operative League of the U.S.A.</p>		
<p>VII <i>Sponsoring and financing of schemes out of its own corpus.</i></p>	<p>In certain crucial sectors, the Corporation sponsors and finances schemes from its own corpus owing to paucity of plan funds. The list of such schemes is at <i>Annexure V</i>.</p>		
<p>This involves negotiation with a foreign agency through the ministry concerned at the central level and has got to be handled by the Corporation.</p>			
<p>This function may continue to be handled by the Corporation.</p>			

Annexure V
(See paragraph 17.2)

National Co-operative Development Corporation

List of schemes sponsored and financed by the National Co-operative Development Corporation out of its own corpus

(Rs. in lakhs)

S. No.	Name of the scheme	Pattern of assistance	Units	Amount
1	Conventional type of rice mills.	100% loan to state governments.	463	857.00
2	Promotional and assessment cells in the state apex marketing societies and the National Agricultural Co-operative Marketing Federation (NACMF).	100% subsidy for first 2 years 75% 3rd year 50% 4th year 25% 5th year	..	5.00 (1966-67)
3	Assistance to National Agricultural Co-operative Marketing Federation.	Share capital	..	10.00 (1966-67)
		<i>Subsidy</i>		
4	Assistance to All-India Central Land Development Banks Union Ltd.	1st year 0.50 2nd year 0.33 3rd year 0.25 4th year 0.17	..	1.25
5	Development of hybrid seed producer co-operative processing-cum-marketing societies on a pilot basis.	1.47 loan 0.27 subsidy	} per unit	20 36.00 (1966-67 to 1969-70)
6	Scheme for fabrication of agricultural implements by selected co-operative marketing societies.	0.70 loan 0.13 subsidy	} per unit	45 37.62 (1966-67 to 1969-70)
7	Scheme for establishment of formulation units for pesticides/insecticides by apex marketing societies.	1.81 loan 0.19 subsidy	} per unit	8 16.00 (1966-67 to 1969-70)
8	Supplementary programme of establishment of co-operative cold storages.	100% loan	30	250.00 (1966-67 to 1970-71)
9	Assistance to All-India Federation of Co-operative Spinning Mills, Ltd.	1st year 100% 2nd year 100% 3rd year 75% 4th year 50% 5th year 25%	..	0.50 (1967-68 to 1970-71)
10	Establishment of granular fertiliser plants in five selected apex marketing societies.	Loan 18.25 per unit	5	91.25

Annexure VI
(See paragraph 13.1)

National Co-operative Development Corporation

Financial outlay for schemes of co-operative development falling within the purview of the National Co-operative Development Corporation during the Fourth Five Year Plan and the quantum of central assistance payable.

		(Rs. in lakhs)	
S. No.	Name of the Scheme	Total outlay	Central assistance
1	2	3	4
A. Centrally aided schemes			
I Credit			
1	Managerial subsidy to:		
	(i) village co-operatives	1,200.50	600.25
	(ii) central co-operative banks	205.92	102.96
	(iii) apex co-operative banks	7.00	3.50
	(iv) land mortgage banks (including subsidy for appointment of land valuation officers).	162.62	81.31
2	Outright grants for contribution to special bad debt reserve of:		
	(i) village co-operatives	778.73	389.36
	(ii) central co-operative banks	289.40	134.70
3	Relief and Guarantee Fund	268.50	134.25
		2,892.67	1,446.33
II Marketing			
1	Share capital contribution to:		
	(i) primary marketing societies	813.03	609.77
	(ii) district marketing societies	59.10	44.33
	(iii) apex marketing societies	326.00	244.50
		1,198.13	898.60
2	Managerial subsidy to:		
	(i) primary marketing societies	46.38	23.19
	(ii) district marketing societies	0.15	0.08
	(iii) apex marketing societies	29.41	14.70
		75.94	37.97
3	Subsidy to apex marketing societies for creation of common cadre of personnel.	52.00	26.00
4	Subsidy to marketing societies for contribution to price fluctuations fund.	377.20	188.60
5	Subsidy to marketing societies for establishment of grading units.	19.59	9.80
6	Loan to marketing societies for purchase of trucks ..	228.50	171.38
		1,951.36	1,332.85

1	2	3	4
III Processing			
1 Sugar factories:			
loans to sugar factories	.. .. .	1,162.00	1,162.00
2 Other processing societies:			
(i) share capital	.. .. .	1,248.90	936.87
(ii) managerial subsidy	.. .. .	61.34	30.84
		2,472.24	2,129.51
IV Storage			
1 Cold storages:			
loan for installation of cold storage plants	.. .. .	586.24	439.68
2 Godowns:			
(i) godowns of marketing societies :			
(a) loan	.. .. .	671.33	559.44
(b) subsidy	.. .. .	223.77	111.88
total	.. .. .	895.10	671.32
(ii) godowns of processing societies:			
(a) loan	.. .. .	42.00	35.00
(b) subsidy	.. .. .	14.00	7.00
total	.. .. .	56.00	42.00
(iii) rural godowns:			
(a) loan	.. .. .	840.17	700.14
(b) subsidy	.. .. .	280.05	140.03
total	.. .. .	1,120.22	840.17
3 Subsidy to village co-operatives for hiring of godowns	.. .. .	7.24	3.62
		2,664.80	1,996.79
V Departmental staff			
Subsidy to state co-operative departments for appointment of additional departmental staff	.. .. .	677.69	338.85
	Total—A	10,658.76	7,243.83
B. Centrally sponsored schemes			
1 Agricultural credit stabilisation fund (to be transferred to the Department of Co-operation)	.. .. .		1,986.00
Establishment of export-oriented processing units such as solvent extraction plants, fruit and vegetable processing units, and modernisation of rice mills			750.00
3 Subsidy to primary marketing societies for distribution of consumer articles in rural areas	.. .. .		66.09
4 Special assistance to the eastern states and Rajasthan (the scheme is to continue till March 1968 for the present)	.. .. .		104.44
	Total—B	..	2,906.53
GRAND TOTAL (A+B)	..	..	10,150.36

Study IV

ANIMAL HUSBANDRY INCLUDING DAIRYING

INTRO- DUCTION AND CON- STITU- TIONAL POSITION

1. The following entries in Lists I, II and III of the Seventh Schedule to the Constitution relate to Animal Husbandry:

Inter-state quarantine	.. .. .	Entry 81 List I
Agriculture, including agricultural education and research, protection against pests and prevention of plant diseases	..	Entry 14 List II
Prevention, protection and improvement of stock and prevention of animal diseases; veterinary training and practice	..	Entry 15 List II
Prevention of cruelty to animals	.. .. .	Entry 17 List III
Prevention of the extension from one state to another of infectious or contagious diseases or pests affecting animals	..	Entry 29 List III
Production, supply and distribution of cattle fodder	..	Entry 33 List III

Besides undertaking activities falling under List III, the Department of Agriculture at the centre undertakes and sponsors schemes falling in List II. Activities falling in List II are undertaken not only by the Central Government but also by a registered society created by the Central Government called the Central Council of Gosamvardhana (CCG). Before the role of the central agencies is commented upon, a brief resume of the nature, division and extent of the work in this field may be given.

NATURE OF WORK

2. The work relating to Animal Husbandry can be divided into three broad heads:

- (1) development work,
- (2) research, and
- (3) training.

While 'research' and 'training' are entrusted to the Indian Council of Agricultural Research (ICAR), development work at the centre is the responsibility of the Department of Agriculture. An organisation chart of the Animal Husbandry and Dairying Division of the Department of Agriculture is at *Annexure I*. The plan schemes undertaken by the Department in the Fourth Plan under each of the above heads are listed in *Annexure II*.

PROVISION IN THE FOURTH PLAN

3. The programmes in Animal Husbandry have a three-fold objective, namely, to increase the supply of protective foods, to provide draught power for farm operations and to improve the output of certain products of commercial importance such as

wool and hides. A vast potential of animal resources remains to be tapped. Besides effective animal resources need to be created. The Fourth Five Year Plan provides for a total allocation of Rs. 160 crores against Rs. 78 crores actually spent during the Third Plan period in the Animal Husbandry sector. The programmes envisaged during the Fourth Five Year Plan are larger in scope and their object is to have a greater impact on the rural economy of the country. The role of the centre is conceived here to be that of leader, helper, planner, innovator and stimulator.

- CATEGORI-
SATION OF
FUNCTIONS**
4. The activities performed by the Animal Husbandry Division of the Department of Agriculture have been studied in detail and are broadly categorised below:—
- I. providing leadership and initiative to the states and serving as a clearing house of information;
 - II. undertaking the responsibility for drawing up the national plan;
 - III. undertaking research at a national level;
 - IV. taking initiative in evaluating programmes with the object of locating problems and taking remedial measures;
 - V. providing a forum and meeting ground for the state representatives for the exchange of ideas on different subjects and for the evolution of guidelines;
 - VI. all-India organisations;
 - VII. matters relating to the Union Territories;
 - VIII. matters relating to the United Nations/foreign countries and other foreign agencies;
 - IX. matters falling under the Concurrent List;
 - X. central schemes;
 - XI. statutory and constitutional obligations of the Central Government;
 - XII. release of foreign exchange;
 - XIII. matters relating to inter-state questions or matters affecting more than one state;
 - XIV. schemes undertaken either by the Department or the Central Council of Gosamvardhana which could be decentralised to the states straightway; and
 - XV. training schemes.

ITEM-WISE
DISCUSSION

5. Activities mentioned at (I) to (V) above flow from the centre's role as leader, innovator and technical guide. These have, therefore, to be necessarily retained at the centre. A fuller discussion of the activities to be decentralised (items XIV and XV) may be seen at *Annexure III*. The functions/schemes that have to be retained at the centre may be seen at *Annexure IV*. The need for retention at the centre of the activities mentioned at items (VI) to (XIII) is discussed item-wise below:

VI. Matters relating to all-India organisations

The following activities are covered by this item:

- (a) grants to the Central Council of Gosamvardhana, the Animal Welfare Board and the Animal Experimentation Committee;
- (b) National Dairy Development Board; and
- (c) meetings and conferences held by the ICAR, CCG and Indian Standards Institution.

In regard to (a) above, the central agency makes a payment of annual grants for meeting administrative expenditure and for financing schemes through the Central Council of Gosamvardhana and the Animal Welfare Board. The latter may be decentralised. Regarding (b) and (c), these are bodies at all-India level which have to be handled by the central agency.

VII. Matters relating to the Union Territories

The Department is also concerned with animal husbandry in the Union Territories and runs the Delhi Milk Scheme. The DMS could be run by the Delhi Administration but Delhi being a Union Territory and therefore the responsibility of the Central Government, there can be no objection to the central Department of Agriculture running this scheme.

VIII. Matters relating to the UN/foreign countries and foreign agencies

All these matters have obviously to be handled by a central agency.

IX. Matters falling under the Concurrent List

Under this would fall the activities mentioned below:—

- (a) the central agency has to grant permission to various state governments for delegating powers to the collectors in regard to control of stocks, prices and movements of cattle fodder and cattle feeds in their respective districts; and

- (b) administration of the Prevention of Cruelty to Animals Act, 1960. Under this Act two central bodies, *e.g.*, the Animal Welfare Board and the Animal Experimentation Committee have been constituted.

In pursuance of this Act, the Animal Experimentation Committee have framed draft rules called the Experiments on Animals (Control and Supervision) Rules, 1966 (which are yet to be approved by the Government) according to which every person will have to seek a licence from this Committee for performing experiments on animals. The Committee will appoint inspectors throughout the country for conducting inspection and supervision of the premises where experiments are performed.

All these functions as also other functions relating to imposition of penalty and registration could be delegated to the state governments under Section 37 of the Act. The central agency may retain with itself only overall policy matters leaving the functions relating to implementation in the field to various state governments.

X. Central schemes

Some of the important schemes have been taken up by the centre mainly for the following reasons:—

- (1) inadequacy of technical know-how at the state level;
- (2) paucity of finances in the states' budgets; and
- (3) all-India and regional interests.

(1) and (2) are not really valid reasons for the centre to take up schemes in the state sphere. Allocation of resources should depend altogether on priorities settled taking the plan as a whole into account. Technical and administrative inadequacies in states provide a better but not good enough reason. The centre's role here should be to help strengthen the states' set-up to enable them to discharge their responsibilities squarely rather than to take over the functions of the states and absolve them of this responsibility. As the actual examination of the schemes proposed in this study for decentralisation will show, this particular weakness is not forbiddingly serious. The only valid consideration for taking up any schemes by the centre is when they cater to an all-India or inter-state clientele, particularly when they are also experimental in character. Thus, difficulties in distributing equitably quality animals amongst states, apathy of some states to share their animal resources with other states and economic viability and administrative feasibility have compelled the central agency

to undertake the following development programmes under its own control.

(a) Jersey Cattle Breeding Farms

The Government of India have established two jersey cattle breeding farms, one at Kataula in Himachal Pradesh and the other at Hessarghatta in Mysore. The foundation stock which was received as a gift from the U.S.A. is multiplied at both the farms and distributed to various state governments and institutions for crossbreeding programmes. The jersey bull can be reared only at places which are about 3,000 ft. above mean sea level. These farms are nucleus farms and cater to several states. They cannot be decentralised at this stage.

(b) Establishment of Cattle Breeding Farms

These are experimental farms to be established at six places for taking up scientific breeding of cattle for progeny testing of bulls. The experiment may require about a decade before the first results are known. The progeny tested bulls so produced will be distributed to all states for improving the genetic quality of cattle in state farms, intensive cattle development projects and key village centres. Only breeds of all-India importance and exotic breeds are proposed to be taken up. The farms are, therefore, experimental in character but have an all-India significance and, at this stage, must be run by the centre. The experiment may be evaluated in due course. If it is successful a stage will arrive when these farms will cease to have an all-India aspect and the states in which they are located will provide a self-contained sphere for them. The other states will either have an adequate stock themselves by that time to start their own farms or will be able to purchase the stock required. At that stage these farms should be decentralised.

(c) Establishment of Five Large-scale Sheep Farms

The farms are supposed to produce high quality stud rams for increased production of wool and meat. The breeding stock so produced will be distributed to the states for absorption in sheep and wool centres. Out of the five farms, four comparatively small ones are centrally sponsored. These can conveniently be decentralised straightway. The remaining farm which will be in the central sector will be much larger and, besides being experimental, will cater to more than one state. The experiment may be evaluated in due course and the farm decentralised on the same consideration as in (b) above.

(d) Central Poultry Farms

There are three farms, one each at Bombay, Bhubaneswar and Bangalore. Apart from supplying day-old chicks to various states, the farms are engaged in the development of genetically superior strains of poultry by adopting modern breeding techniques. There is no reason why the states cannot conduct the requisite research. Neither the investment nor the skill should be beyond their resources. It is not necessary for the centre, therefore, to handle all the three farms. Two farms may be decentralised while the centre could retain one as a model farm engaged in work relating to genetic improvement of stock.

XI. Statutory and constitutional obligations

- (a) Rinderpest eradication: At present this is a centrally sponsored activity in so far as vaccination stations (quarantine stations), immune belts and vaccine production are concerned. The remaining part of the scheme is included in the state sector. The centrally sponsored portion of the scheme should be made a central scheme and may be implemented by the states on an agency basis.
- (b) Animal quarantine and certification service in India: This function is included in List I and may be implemented through state governments on an agency basis, if necessary.
- (c) Live-stock Importation Act, 1898, as amended in 1953.
- (d) Matters relating to issue of licences under the Industries (Development and Regulation) Act, 1951.

All these items have to be retained by the central agency.

XII. Release of foreign exchange

This function has necessarily to be handled by the central agency.

XIII. Inter-state questions or matters affecting more than one state

(a) Supply of feed and fodder to scarcity areas and areas affected by drought is such an item. The central agency has to help the states experiencing shortage of fodder by arranging supplies from the neighbouring states. The centre may continue to discharge these duties.

(b) Substantive training schemes:

(i) Training Centre for Sheep Husbandry and Wool Technology, Poona: The scheme aims at providing specialised training in various aspects of sheep husbandry and wool technology to the nominees of various states.

(ii) Wild and stray cattle catching scheme (training part): The scheme aims at providing training facilities to the catch teams in the states.

Both schemes could continue to be handled by the centre but should be paid for by the participating states. The principle here is that the training is of a substantive and not of a foundational nature. It has to be run centrally because of its administrative convenience and for the sake of economy. The responsibility to train, strictly speaking, is that of the states which should, therefore, pay for this training.

FINANCIAL IMPLICATIONS

6. If the analysis here is accepted as correct, schemes worth Rs. 3.69 crores will be decentralised and those worth Rs. 17.99 crores retained. Considering the Fourth Five Year Plan as a whole, the states will be responsible for schemes costing Rs. 142 crores as compared to the centre's responsibility for handling schemes costing Rs. 17.99 crores.

CENTRAL COUNCIL OF GOSAM- VARDHANA

7. A registered society called the Central Council of Gosamvardhana is charged with the responsibility of organising, implementing and co-ordinating activities relating to the preservation and development of cattle. The broad functions of the Council are shown in *Annexure V*. These include the following:—

- (i) to organise, implement and co-ordinate activities relating to the preservation and development of cattle and administer schemes for greater production of milk;
- (ii) to organise and co-ordinate the state councils of Gosamvardhana; and
- (iii) to sponsor schemes relating to increased production of feeds and fodder, development of pastures and grazing areas.

The Council gets a grant of the order of Rs. 13 lakhs and a loan of about Rs. 3 lakhs per annum from the Central Government for meeting its administrative expenditure and for financing some of the plan schemes in the animal husbandry sector. While the Council has succeeded in a large measure in bringing together the official and non-official agencies, its handling and implementing directly some of the schemes in the states raises a question whether such a central body should, in fact, be allowed to undertake such functions. Routing of funds to and through the Central Council is only another method of taking up and financing schemes which fall squarely within the state sphere and regarding which the states should take final decisions.

A few typical schemes pursued by the Council will make the position clear:

- (i) salvage of dry cows from the city of Calcutta;
- (ii) establishment of fodder banks;
- (iii) model gosadans at Dilwari and Gularbhoj;
- (iv) rehabilitation of nomadic cattle breeds in Gujarat; and
- (v) procurement of cow milk from Bikaner area for distribution in Delhi.

These schemes are undertaken by the CCG mainly because:

- (i) the states consider these schemes uneconomical; and
- (ii) the Council feels a moral responsibility regarding certain functions for which the state governments show no concern.

All these schemes should be the exclusive responsibility of the state governments concerned. If the state governments are not inclined to take up these programmes, it should be for the state councils of Gosamvardhana in the respective states to handle these schemes with financial assistance from the states leaving the Central Council with the responsibility only of providing guidelines and effecting co-ordination.

RESEARCH

8. Research is being conducted in an organised way. The ICAR which is an apex body for research has under it a number of central institutes, e.g., Indian Veterinary Research Institute, Sheep and Wool Research Institute, National Dairy Research Institute and National Virus Research Institute. These institutes are performing the functions of fundamental research and providing post-graduate teaching. Out of 143 current schemes of animal husbandry and dairying being executed at various levels with the assistance of the Council about 29 per cent (*Annexure VI*) would appear to fall in the domain of state field. To this extent, decentralisation of research schemes financed by the ICAR may be effected. The Council's policy, however, is to supplement and not to supplant the work of agricultural and animal husbandry/veterinary departments and institutions under the Central and state governments. The cess collected under the Agricultural Produce Cess Act, 1940, is normally to be utilised for financing schemes of regional or all-India importance at the state and university/private institution level but in actual practice state schemes are also financed. An integrated picture of the results obtained under each of these schemes is

examined by the technical officers of the Council and a summary in popular language embodying the results of the research work done during the entire period of the scheme is published in one of the journals of the Council.

9. If a sincere effort is gradually to be made for decentralisation to the states of various schemes and functions performed by the central agency, an equally sincere effort will have to be made for strengthening the departments of animal husbandry in the weaker states to take on these functions. In certain states the technical know-how required for undertaking various programmes of animal husbandry is rather poor and may inhibit them from accepting these functions when they are ripe for decentralisation. It is necessary that more deputations of competent officers to the needy states to build up their departments should start now. Such an interchange of officers would give animal husbandry programmes a much needed injection of realism and perception. The central agency should also take up comprehensive programmes of training of superior personnel in the state animal husbandry directorates, besides freely rendering all technical advice required by the states.

EXTENT TO
WHICH
CENTRAL
FUNCTIONS
ARE PER-
FORMED

10.1 The analysis so far indicates what functions the centre has been performing which should in fact have been performed by the states and should be decentralised. It would be of interest to note how effectively it has been able to discharge some of the basic functions that flow from its role as leader, innovator, technical guide, disseminator of information, planner and evaluator.

10.2 In the discharge of its clearing house functions the central agency and the CCG organise regional and all-India cattle and poultry shows, exhibitions, all-India milk yield competitions, publication of monthly journals, booklets and pamphlets on Gosamvardhana. The results of research are examined and a summary in popular language published in one of the journals of the ICAR as well as in the Technical Report. However, except for a few important state plan schemes, the Department does not get progress reports in respect of other state plan schemes, so that it is not in a position to communicate good work done in one state to others. Thus, a very few state governments may be aware of the work done by the Poultry Corporation, Chandigarh, or the establishment of Poultry Dressing Plant, Poona. Only informal methods of dissemination through personal visits or during annual plan discussions are adopted. These should, however, be supplemented by systematised methods of disseminating all useful information.

10.3 In drawing up the national plan, a working group on Animal Husbandry is constituted two or three years in advance of the launching of a five year plan. No state representatives are included. The ingredients of good planning demand that (i) the planning should be based on facts, (ii) there should be a good system of drawing projections based on proper statistics, (iii) there should be representation from the Ministry of Finance and (iv) there should also be a system of options which will enable the planning cell to develop models with varying ideas. These ingredients in planning are largely absent and the setting up of a good planning cell is necessary.

10.4 Research at the national level is conducted by the ICAR in an organised manner through central research institutes under its control and also by financing research schemes of regional or all-India importance at the state and university/private institution level. There is no systematised method of disseminating to all results of good research done in various states. Only co-ordinated reviews are brought out but not at regular intervals.

10.5 It seems the central agency has not paid much attention to training of a foundational nature. It does not impart any training to the superior personnel of the animal husbandry departments in the states or to the project directors of intensive cattle development projects and officers incharge of various cattle farms/poultry farms in the states. Nor is the central agency in possession of data of untrained superior personnel in the states who are in need of such training. The function of foundational training is very important and may be actively pursued by the Department.

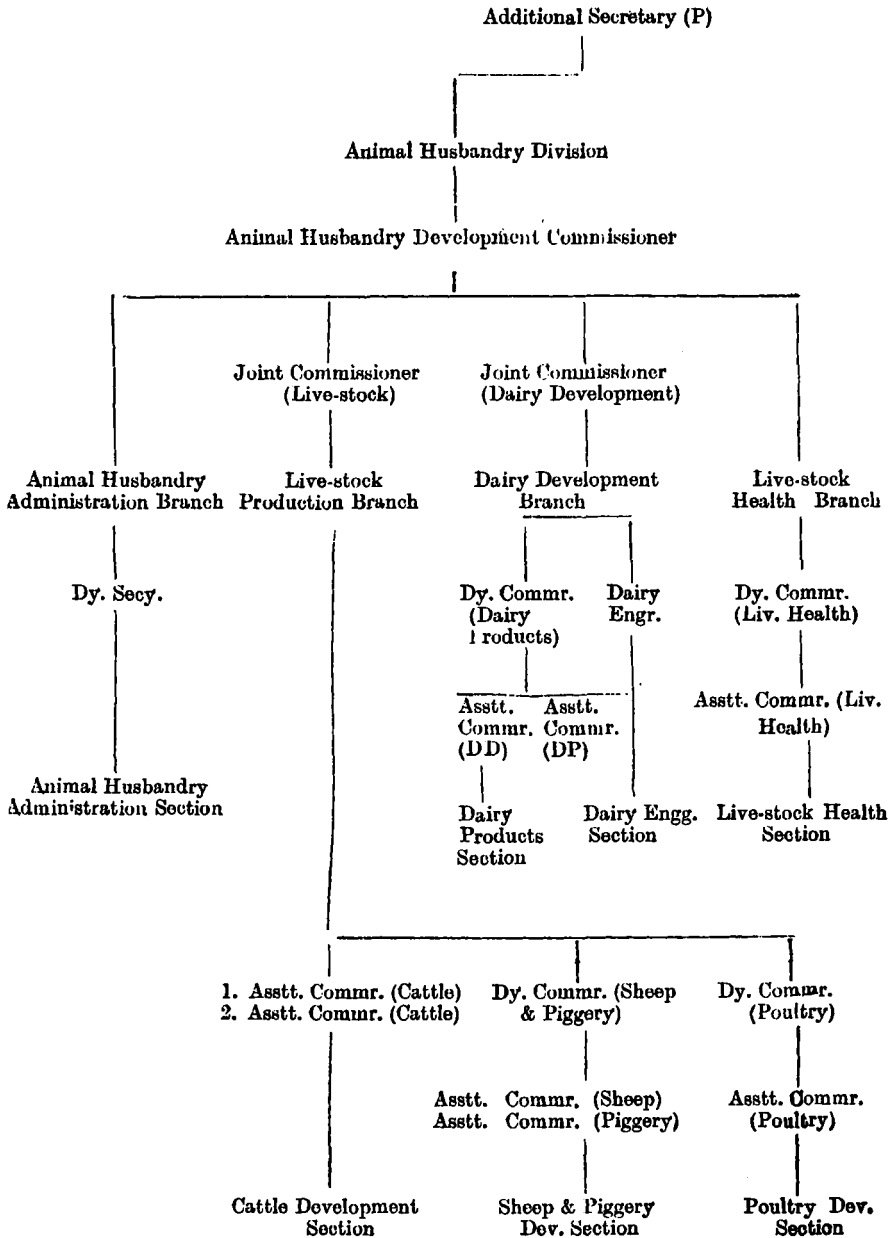
10.6 Evaluation of programmes seems to have received scant attention. Except for a very few important schemes in the state sector, *e.g.*, key village schemes which were originally initiated at the behest of the centre, the Department of Agriculture does not get progress reports in respect of other plan schemes in the state sector nor are they asked for. Consequently there is no systematic review or evaluation of the progress of schemes except for a perfunctory examination of the progress of programmes made in respect of the state schemes at the time of annual plan discussions. Setting up of a separate statistical cell is necessary for this purpose. Similarly no long-term evaluation is being systematically attempted. It is here that the centre can make a positive contribution and this function should be actively taken over by it.

10.7 A forum and meeting ground for the exchange of ideas is provided by holding occasional meetings of officers in charge of a particular class of schemes, *e.g.*, project directors in charge of intensive cattle development projects by the Department of Agriculture. The annual visits of the teams of central experts supplement this activity. The Central Council of Gosamvardhana also arranges some annual meetings and seminars. However, the central agency does not call for regular meetings of the Directors of Animal Husbandry of various states.

10.8 To the extent the Central Department prepares model schemes and guidelines in respect of plan schemes, provides technical guidance to the state animal husbandry directorates, undertakes directly nucleus schemes or schemes of experimental nature, circulates suitable cattle breeding policy to be followed by each state government, attempts rational distribution of good cattle amongst the states and provides machinery for quarantine restrictions and regulation of inter-state movement of cattle, it may be concluded that it provides leadership and initiative to the states. But even more is possible in the matter of dissemination of information, strengthening of weaker state departments of animal husbandry and experimentation.

Animal Husbandry and Dairying Division

Organisation Chart



Animal Husbandry and Dairying Division*New designations of technical officers in the Department of Agriculture*

Present	Now/Revised
PRODUCTION WING	
Animal Husbandry Commissioner (ICAR) ..	Animal Husbandry Development Commissioner
Live-stock Development Adviser ..	Joint Commissioner (Live-stock Production) Deputy Commissioner (Sheep & Piggery) Deputy Commissioner (Poultry)
Assistant Live-stock Development Adviser..	Assistant Commissioner (Cattle) Assistant Commissioner (Sheep) Assistant Commissioner (Piggery)
Poultry Development Officer ..	Assistant Commissioner (Poultry) Deputy Commissioner (Live-stock Health) Assistant Commissioner (Live-stock Health)
Dairy Development Adviser ..	Joint Commissioner (Dairy Development)
Deputy Dairy Development Adviser ..	Deputy Commissioner (Dairy Products) Assistant Commissioners (2)
Deputy Engineer	Dairy Engineer.

Annexure II
(See paragraph 2)

Animal Husbandry and Dairying Division

List of central and centrally sponsored schemes in animal husbandry and dairying sector in the Fourth Plan

						(Rs. in lakhs)
A. DEVELOPMENT SCHEMES (DEPARTMENT OF AGRICULTURE)						
1. Expansion of jersey cattle breeding farms	..	..	..	..	..	16.50
2. Establishment of cattle breeding farms	..	..	..	..	..	400.00
3. Intensive cattle development blocks in milkshed areas of Delhi Milk Scheme (centrally sponsored)	..	..	..	..	..	340.00
4. Salvage and rearing of calves	..	..	..	..	..	25.00
5. Organisation of regional and all-India cattle and poultry shows	..	..	..	..	..	7.40
6. Establishment of five large-scale sheep farms (4 centrally sponsored and 1 central)	..	..	..	..	..	89.30
7. Central poultry breeding farms	..	..	..	..	..	12.67
8. Egg Powder Factory (not yet finalised)	..	..	..	..	..	..
9. Delhi Milk Scheme	..	..	..	..	..	258.00
10. Extension of herd registration to the important breeding tracts and formation of breed societies	..	..	..	..	..	20.00*
11. Establishment of regional stations for conducting demonstrations of forage production	..	..	..	..	..	50.00
Total						1,218.87
B. DEVELOPMENT SCHEMES (CENTRAL COUNCIL OF GOSAMVARDHANA)						
12. Financial assistance to registered recognised societies by the CCG	..	..	..	..	..	25.00
13. Model gosadan scheme	..	..	..	..	..	1.00
14. Schemes of Central Council of Gosamvardhana	..	..	..	..	..	160.00
15. All-India milk yield competition	..	..	..	..	..	2.50
16. Control of wild and stray cattle	..	..	..	..	..	5.00
Total						193.50

*Combined provision for centrally administered and centrally sponsored portion of the scheme, the latter is being transferred to state plan sector.

Annexure II—concl'd.

					(Rs. in lakhs)
C. RESEARCH					
17. Central Sheep Breeding Research Institute	..	..	..	..	80·93
18. Indian Veterinary Research Institute (including strengthening of the division of IVRI for poultry, animal nutrition and genetics)	..	..	..	..	70·00
19. Animal Virus Research Institute	..	..	..	..	67·00
20. Poultry Science Institute	..	..	..	..	75·00
21. Animal Nutrition Institute	..	..	..	..	72·00
22. Animal Breeding Institute	..	..	..	..	50·00
23. Co-ordinated research projects in animal sciences (not yet finalised)	..	..	..	..	..
24. National Dairy Research Institute	..	..	..	..	248·00
Total					602·93
D. DISEASE CONTROL					
25. Rinderpest eradication (centrally sponsored)	..	..	..	..	30·00
26. Animal quarantine and certification service	..	..	..	..	20·00
Total					50·00
E. TRAINING AND EDUCATION					
27. Training centre for sheep husbandry and wool technology (centrally sponsored)	..	..	..	..	5·00
28. Further training of emergency diploma holders	..	..	..	..	20·00
Total					25·00
F. ANIMAL WELFARE					
29. Animal Welfare Board	..	..	..	..	15·00
30. Animal Experimentation Committee	..	..	..	..	3·00
Total					18·00
Total Animal Husbandry					1,662·30
Total Dairying					506·00
GRAND TOTAL					2,168·30

Animal Husbandry and Dairying Division*Functions proposed to be transferred to the state governments wholly or partly*

S. No.	Schemes/Functions	Brief description	Remarks
1	2	3	4
<i>Schemes undertaken by the Department or the Central Council of Gosamvardhana (CCG) which could be decentralised to states straightway</i>			
1	Establishment of regional stations for conducting demonstration on forage production.	Considerable amount of knowledge regarding the production of high quality forages is already available as a result of the researches carried out over a number of years at several centres in the country. It has not, however, been possible to demonstrate widely, and introduce better varieties and methods of forage production so that this would be adopted widely by the farmers. For this purpose five regional stations will be established. Two stations, one at Hissar and the other at Kalyani are being established during the current year. The main functions of the research stations will include demonstration, evolution of fodder calendars, production of foundation seed and extension work.	Most of the work relates to demonstration and extension in the intensive cattle development areas which is a state plan scheme. This is clearly a state function and may be decentralised.
2	Salvage and rearing of calves.	The scheme was initiated in the Second Five Year Plan and is being continued in the Fourth Five Year Plan. Under this scheme calves of 5 to 9 months age having standard weight and health are pur-	Not much work of demonstration is involved in the scheme which can be easily handled by the state government. This scheme may be passed on to the state government concerned subject to the centre's

1	2	3	4
		<p>chased by the Government of India at prices starting from Rs. 150 per calf. These calves are then distributed free of cost to various state governments, bonafide breeders and non-official institutions. Full cost is then reimbursed to the state government, namely, Maharashtra in the case of Aarey centre and West Bengal in the case of Harringhatta centre.</p>	<p>responsibilities being limited to the following:—</p> <p>(a) undertaking the responsibility for distribution of calves among the various states; and</p> <p>(b) undertaking evaluation of the programme.</p>
3 Salvage of dry cows from the city of Calcutta (CCG scheme).		<p>This is a new scheme which the Council wants to take up in the Fourth Five Year Plan. The scheme aims at salvaging dry cows from the city of Calcutta by purchasing in a phased programme the dry cows from the cattle owners and maintaining them in a farm to be created for the purpose. The purchased cows will, on calving, be again sold to the dairy men in Calcutta on condition of salvaging them again when they go dry. The scheme will be implemented by the CCG with the active co-operation of the officials of the West Bengal Government and local non-officials interested in cattle development.</p>	<p>It is really not understood why the CCG should handle this type of scheme in which the state government should be primarily interested and concerned. If the states are not in a position to evince interest in such schemes, the CCG should not take on themselves this responsibility. The scheme may be passed on to the state concerned.</p>
4 Intensive cattle development projects at Bikaner and Rajkot (CCG scheme).		<p>The scheme has yet to be approved by the Planning Commission and the Central Department of Agriculture. The object of the scheme, in brief, is to improve the area around Bikaner and Rajkot districts and saturate them with various facilities like survey, feed and fodder development, distribution of balanced feed to the cattle owners, facilities for improving breeding, in-</p>	<p>The intensive cattle development projects have been classified as state schemes and about 19 such projects are already being taken up in different states of the country. It is really not understood why the CCG should handle these schemes which are the primary responsibility and concern of the state governments. The Governments of Rajasthan and Gujarat should</p>

1	2	3	4
		<p>roduction of high yielding cows, subsidiary rearing of superior cows, survey of high yielding cows, castration of scrub bulls, facilities for disease control, marketing facilities, dairy extension, manure and compost-making and production incentives like cattle shows, etc. All these will go to increase the capacity of the farmers to develop their cattle and to supply more milk for the milk and dairy projects around these areas.</p>	<p>take over these schemes if they consider that the implementation of these schemes is within the resources available to them in the state sector.</p>
5	Rehabilitation of nomadic cattle breeders in Gujarat (CCG scheme).	<p>This is also a new scheme to be implemented in the Fourth Plan. The scheme is yet to be cleared by the Department of Agriculture and the Planning Commission. The scheme aims at improving the milk yield by providing facilities for cream milling, milk sheds, milk cans, providing marketing facilities by directly linking up with dairies and providing better fodder and incentives for production of green fodder. The scheme will be implemented by the CCG with the co-operation of officials of State Department of Animal Husbandry and non-official institutions.</p>	<p>If the scheme is to be implemented by the CCG with the active co-operation of the Animal Husbandry Directorate of the Gujarat State, it is not understood why the State Unit of the Gosamvardhana should not handle this scheme. The scheme may be handled by the Government of Gujarat themselves or by the Unit of Gosamvardhana in the Gujarat State as may be convenient to the Government of Gujarat, the CCG providing only the overall technical guidance, if needed.</p>
6	Establishment of fodder banks (CCG scheme).	<p>The genesis of the scheme is that in the periods of abundance, the fodder will be purchased and collected in substantial quantities and stored in a place from where it could be rushed to the affected areas at short notice. Tentatively, the fodder banks are proposed to be located in Bihar, Uttar Pradesh, Guja-</p>	<p>Ordinarily, the state governments should have included these schemes in their state plans and financed them from the overall plan ceilings allocated to them. In view of widespread scarcity conditions prevailing in different parts of the country, the Government of India will give central assistance for recurring</p>

1	2	3	4
		<p>rat, Rajasthan, Maharashtra or Andhra Pradesh and Delhi/Punjab. The exact location of these banks has not yet been decided but will be done in consultation with the state governments concerned. The scheme has been approved by the Planning Commission.</p>	<p>and non-recurring expenditure. If that is so, the scheme could well be handled by the state government concerned.</p>
<p>7 Goshala development scheme (CCG scheme).</p>	<p>Kshetriya Development scheme (CCG)</p>	<p>The scheme aims at utilising resources of progressive Goshalas/private institutions preferably in the milk-shed areas for organising cattle development and milk production activities in Goshalas and rural areas by (a) providing good quality bulls for breeding purposes, (b) organising collection and sale of cow milk, (c) rearing of selected cows and (d) increasing the milk production, cattle feed and fodder. The scheme will be financed entirely by the CCG out of government grants.</p>	<p>This is a scheme fit to be passed on to the state government concerned and the central agency should have nothing to do with it in regard to the implementation of scheme in the field. If the CCG are interested in the scheme, they should direct the State Unit of Gosamvardhana to undertake this activity, with assistance from the state governments concerned.</p>
<p>8 Gramdan Gosamvardhana scheme (CCG scheme).</p>		<p>This is a new scheme to be run by the CCG at a total cost of Rs. 20.96 lakhs excluding the village contributions. The scheme is yet to be approved by the Planning Commission. The scheme aims at improving the economic condition of the villages by improving their cattle. For this, they will be provided incentives for acquiring a nucleus of better cattle for breeding, multiplication and also better bulls for the production of improved progeny. The emphasis will be on self-help and self-sufficiency. Maximum use will be</p>	<p>This is hardly a scheme which should be run by the central agency. It is stated that the scheme will be administered by the CCG through the State Councils or other non-official agencies. The scheme may, therefore, be passed on to the agency concerned, the CCG providing the overall guidelines to be sought by the state governments, if necessary.</p>

Annexure III—contd.

1	2	3	4
		made of local resources. A Gramdan Gosamvardhana Unit will cover all breedable cow population of 250 in one or a group of villages.	
9 Rearing and breeding of surplus female calves (CCG scheme).		The details of the scheme are not available nor has it been approved by the Planning Commission or the Department of Agriculture.	The scheme, as it seems, should not be undertaken by the CCG. The state government concerned may take over the scheme and run it.
10 Model Gosadan scheme (CCG scheme).		The Gosadan scheme aims at segregation of old unproductive and useless cattle and their economic maintenance in the interior forest areas where plenty of grass lands are available. A number of Gosadans are being run under the control of various Animal Husbandry Departments of the states. At present, the CCG is maintaining two Gosadans at Gularbhoj in Uttar Pradesh and Dilwari in Madhya Pradesh. These Gosadans which are now termed as model Gosadans were taken over from the state control because it was felt that the uneconomic running of these Gosadans was primarily due to the faulty management practices in the institutions.	The details of the scheme hardly justify its implementation by a central agency like the CCG. Although the Gosadans are termed as model, there is hardly anything of a pilot or demonstrational nature which should hold out as an example to other states. The model Gosadans should be straightway transferred to the state governments concerned, viz., Uttar Pradesh and Madhya Pradesh.
11 Relief during natural calamities (CCG scheme).		The Council has been providing financial relief to the cattle owners affected by natural calamities mainly through the state governments. Assistance is rendered in the form of supply of feeds and fodder either free or at subsidised rates.	It is hardly necessary that the central agency should handle this type of activity. The proper agency for rendering such relief is the state agency.

1	2	3	4
12 Financial assistance to registered recognised societies by CCG (CCG scheme).	Details of the scheme are not available but it appears the idea is to provide financial assistance to recognised societies which are engaged in the uplift of cattle. The assistance may be rendered by way of grants-in-aid or loans.	The central agency like the CCG should not handle this scheme, and should pass it on to the State Council of Gosamvardhana or the State Department concerned.	
13 Gosamvardhana Week Celebrations (CCG scheme).	In collaboration with the state governments and State Federations of Gaushalas and Pinjrapoles, Gosamvardhana Week is celebrated since 1952. Cattle exhibitions, calf rallies, mass castration campaigns, free distribution of cow milk to school children, distribution of fodder seeds and radio broadcasts are some of the highlights of these celebrations. 50% of the expenditure is met by the Council and 50%, subject to the maximum of Rs. 7 000, by each of the states.	These functions should be handled by the state governments themselves.	
14 Pilot Egg Powder Factory in Kerala.	The objects of the scheme which has been included in the Fourth Five Year Plan with the total cost of Rs. 20 lakhs are (i) to utilise surplus eggs in Kerala by manufacturing egg powder and thereby avoiding huge losses due to spoilage of eggs and (ii) to make available protective food for the Armed Forces. A detailed scheme does not seem to have been drawn up yet and may be done in consultation with foreign experts.	The Government of Kerala should take up the scheme themselves, the Central Government providing them with necessary technical details and also the services of foreign experts, if considered necessary.	
15 Intensive cattle development blocks in milkshed areas of Delhi Milk Scheme (centrally sponsored).	It is proposed to set up three intensive cattle development projects in Gurgaon and Karnal districts of Haryana and Bikaner in Rajasthan	Left to themselves, the states will not include the scheme in their plans because of the meagre resources available to them. The inclusion of	

1	2	3	4
		<p>and to continue the existing project in Meerut District in Uttar Pradesh in the Fourth Plan. These projects are intended to increase the milk production in these areas for supply to the Delhi Milk Scheme which is at present not handling milk to its full capacity. A provision of Rs. 340 lakhs has been made in the Fourth Five Year Plan. There are at present 19 intensive cattle development projects set up in various states. These are in the state sector and the centre is assisting the states with financial aid. The object of inclusion of this scheme as a centrally sponsored one was that all the blocks covered by this scheme fell within an area easily accessible to Delhi and by giving cent per cent assistance, the entire milk in these areas would be available to the Delhi Milk Scheme.</p>	<p>this scheme (a centrally sponsored one) will enable them to achieve two results, (i) to supply milk to Delhi and (ii) to develop their own area of milk-shed and thus help the farmers achieve economic well being. If the Delhi Milk Scheme is turned into a corporation or is eventually transferred to Delhi Administration, the central agency should cease to undertake this activity. In that case, the dialogue will be between the Corporation and the state government concerned or Delhi Administration and the state government concerned whichever may be the case then. So long as Delhi Milk Scheme is run as a departmental scheme the <i>status quo</i> has to be maintained.</p>
<p><i>Training Schemes which are not of a foundational nature</i></p>			
<p>16 Training of Goshala Managers (CCG scheme).</p>	<p>Under this scheme one year's training is given to the Goshala managers who are finally fixed up in various Goshalas as trained managers. Examination is conducted by the Council and a certificate is awarded by it. The Council bears 75% of the expenditure on the running of the centre, the balance being borne by Rajasthan Gosewa Sangh which is exercising administrative control on the centre at Durgapur near Jaipur.</p>	<p>The administrative control is already with the state agency namely, Rajasthan Gosewa Sangh.</p>	

1	2	3	4
17 Further training of emergency diploma holders.	1900 trainees were trained and awarded diploma after two years in veterinary science to meet the requirements of technical personnel for the implementation of animal husbandry schemes in the Second Five Year Plan. Most of the states refused to allow them for admission to the regular degree course as many of them were only matriculates and did not fulfil the minimum requirements for admission into a college. The Manpower Steering Committee of the Home Ministry recommended that arrangements should be made for training these diploma holders to enable them to acquire competence equivalent to veterinary graduates. It is proposed to run the course at the Colleges of Veterinary Science and Animal Husbandry, Mathura and Tirupathi. The scheme would provide these facilities to diploma holders from all the states in India.	The interested states may handle the scheme with the funds provided by the Central Government for the plan. They may also enrol the candidates from other state governments on payment basis. In any case, the nominees of the state governments will be willing to join the courses even on payment by themselves because it serves to improve their prospects. The state governments may look to the Central Government for overall guidance, drawing up of syllabus and such other technical advice they may need.	

Annexure IV
(See paragraph 5)

Animal Husbandry and Dairying Division
Functions to be retained by the Department

S.No.	Function/Scheme	Brief description	Remarks
1	2	3	4
	<i>Providing initiative and leadership to the states and serving as a clearing house of information</i>		
1	Preparation of model schemes and general guidelines including state plan schemes, e.g., poultry development schemes, sheep development schemes, establishment of slaughter houses in states, prohibition of cow slaughter, live-stock farm in Hissar.	Self-explanatory.	These are central agency functions and have necessarily to remain with the centre.
2	Policy matters		
3	Overall budget—for state plan schemes and budget for centrally administered and centrally sponsored schemes.		
4	Overall allocation/release of funds for state plan and centrally sponsored schemes.		
5	Parliament questions.		
6	Submission of monthly and quarterly statements of expenditure.		
7	Submission of fortnightly return of important activities to the Minister and other O & M returns.		
8	Appropriation accounts and audit reports.		

1	2	3	4
	<i>Undertaking responsibility for drawing up the national plan for the development of animal husbandry in close liaison with the states</i>		
9	Formulation of plan and work connected therewith.	Self-explanatory.	This is a central agency function and has to be necessarily retained with the centre.
	<i>Undertaking research at a national level</i>		
10	Research Institutes :		
	(i) National Dairy Research Institute	As these institutes are engaged in undertaking basic research in various faculties of animal sciences and as this type of research will be beyond the states' research resources, these may continue to be handled at the central level.	The institutes should be under the direct control of the central agency.
	(ii) Central Sheep Breeding Research Institute		
	(iii) Indian Veterinary Research Institute		
	(iv) Animal Virus Research Institute		
	(v) Poultry Science Research Institute		
	(vi) Animal Nutrition Research Institute	Yet to be set up.	
	(vii) Animal Breeding Research Institute.		
	<i>Taking the initiative, in a limited way, in evaluating programmes with a view to locating problems and taking remedial measures on an overall basis</i>		
11	Progress reports on animal husbandry and dairy development programmes and the compilation of technical information received from the state.	The progress reports in respect of a few state plans and centrally sponsored schemes are received and scrutinised by the Department of Agriculture.	The activities performed by the Department pertain to the review of schemes. All-India statistics have also obviously to be collected at the central level.

1	2	3	4
12	Follow-up action on the recommendations of central teams.	The central teams of the Department of Agriculture comprising of a number of experts in different fields occasionally go round the states with a view to assess the progress made in regard to various plan schemes and (to locate delays in) execution of projects. The Department of Agriculture takes action on the reports of these teams and pursues the matter with the state governments for implementation of the recommendations made by these teams.	Action in regard to scrutiny and watching the implementation of recommendations made by central teams has obviously to be done at the central level.
	<i>Providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guidelines.</i>		
13	Organisation of regional and all-India cattle and poultry shows.	The object of organising these shows is to promote development of live-stock in the country by infusing a spirit of competition among the live-stock breeders through awarding attractive prizes for breeding and exhibiting superior animals.	The centre may continue to handle this activity as it provides a common meeting ground for exchanging ideas and experience in the field of live-stock breeding.
14	All-India milk yield competition (CCG scheme).	With a view to encourage breeding and development of high milk-yielding strains of cattle and to provide incentives to cattle owners, the Council has been organising milk yield competitions in respect of selected breeds of cattle and buffaloes in collaboration with the state governments since 1956-57. The competition is at the all-India level and	Since these are competitions at all-India level the CCG may continue to handle them. The state governments are, perhaps, organising such competitions at block and state levels.

1	2	3	4
		<p>cash prizes are awarded to the owners of the animals securing the first three positions in the competition in each breed. A total provision of Rs. 2·50 lakhs has been made in the Fourth Plan.</p>	
15	Exhibition units (CCG scheme).	<p>The CCG shares 50% of the expenditure with the state governments which organise the exhibitions with a view to acquainting the people with various programmes taken up for the development of animal husbandry. There is also an exhibition unit at the headquarters of the CCG which arranges documentary film shows.</p>	<p>This is a unit of the CCG for coordination of states' activities.</p>
16	Publicity and Propaganda (CCG scheme).	<p>The Council has been publishing a monthly popular journal in English and Hindi. Also it has been publishing booklets and pamphlets on Gosamvardhana.</p>	<p>These are very useful activities which help dissemination of news regarding animal husbandry programmes not only to the public but also to other states and non-official institutions. It also brings together at one place all the matters pertaining to this field of activity.</p>
17	Seminars.	<p>There are all-India seminars on various problems connected with animal husbandry.</p>	<p>This is a central activity and may remain with the centre.</p>
<i>Dealings with all-India organisations</i>			
18	Central Council of Gosamvardhana.	<p>The CCG was set up by the Government of India through a resolution in 1952 as a society registered under the Societies Registration Act of 1860. The working of this body was reviewed by the Government of India in</p>	<p>While the existence of a body which is interested in the development of cattle in general is understandable, its working is a little questionable from the point of view that it is also executing some of the schemes which rightly fall</p>

Annexure IV—contd.

1	2	3	4
		<p>1960 when the position of the Council was made broadbased and the scope of its activities expanded. The Council has been entrusted with the responsibilities of organising, implementing and co-ordinating activities relating to the preservation and development of cattle and generally to administer the schemes relating thereto for the greater production of milk and increase of draught power. The Council derives its funds from the Government in the form of 'grants-in-aid'.</p>	<p>within the state sector. The Council may co-ordinate, advise, educate and initiate but it should be divested of all functions relating to the execution of the schemes in the states and providing central assistance to them. The CCG should liaise directly with the states through State Councils of Gosam vardhana.</p>
19	Animal Welfare Board.	<p>Both these bodies are the offshoots and by-products of the Prevention of Cruelty to Animals Act, 1960. Both are statutory bodies created under the Act of Parliament. The Board has to look after the promotion of animal welfare generally and the Committee's main duty is to take all measures as may be necessary to ensure that animals are not subjected to unnecessary pain or suffering before, during or after the performance of experiments on them. The advisory functions of the Board include advice to the Government on legislation for the prevention of cruelty to animals, rules and regulations for the purpose, improvement in the design of vehicles, slaughter houses, medical care and attention.</p>	<p>Since both the bodies are statutory, co-ordinating and advisory in nature, they may continue to be handled at the Central level. However, the Board's functions with regard to encouraging or providing for the construction of sheds, water-troughs, veterinary assistance to animals, destruction of unwanted animals in a humane manner, grant of financial assistance to animal welfare organisations, formation of pinjrapoles and sanctuaries and the Committee's functions of licensing, inspection and registration of institutions for carrying out experiments and imposition of penalties should be transferred to the state governments which should be fully responsible for these activities.</p>
20	Animal Experimentation Committee.		

1	2	3	4
21	National Dairy Development Board.	The Board was set up in 1965 as a registered body. In addition to the Department of Agriculture, some other central agencies, some state governments, co-operative milk unions and private companies are also represented on the Board. The Board is concerned with all matters connected with dairying and its functions are mostly advisory. It charges fees for the advice rendered to state as well as private agencies.	It is an organisation at a national level and also provides a forum for exchange of views between the Central and state governments and private agencies.
22	Meetings and conferences relating to the ICAR, CCG and Indian Standards Institution.	Self-explanatory	The matters relating to meetings and conferences organised by all-India institutions have necessarily to be the concern of a central agency.
<i>Matters relating to the Union Territories</i>			
23	Administrative and other subjects relating to animal husbandry matters in the Union Territories.	A case study indicated that the Tripura Government approached the Ministry for the relaxation of ban in respect of certain posts required by that Government in connection with the implementation of the plan schemes. The proposal was examined in the Department of Agriculture and sent to the Ministry of Finance for relaxation of ban under the then existing orders of the Ministry of Home Affairs. A lot of correspondence and noting at various levels of the Department of Agriculture and the Ministry of Finance ensued justifying the	These have to be handled at a central level, but more delegation of financial powers could be effected in favour of Union Territories.

1	2	3	4
		<p>proposal. Lately the ban had been lifted but still the Department of Agriculture had to satisfy itself about the need for such posts before the sanction was conveyed to the Tripura Government. The proposal which was mooted by the Tripura Government some time in December, 1964 was disposed of finally in July, 1966. All this work could be eliminated if the Government of Tripura were given necessary powers for the creation of posts (both plan and non-plan).</p>	
24	Delhi Milk Scheme.	<p>This is a central plan scheme and was started in November, 1959. It provides for the establishment of a chain of milk collection and chilling centres in the rural areas of Delhi, Uttar Pradesh and Punjab where the milk is collected from the producers, chilled and stored for consignment to a central dairy at Delhi. The central dairy processes the milk, manufactures milk products and supplies the milk and milk products to the population of Delhi, through a distribution organisation with a chain of milk depots and all-day-milk-stalls.</p>	<p>The Delhi Milk Scheme could be run by the Delhi Administration, but Delhi being a Union Territory and therefore the responsibility of the Central Government, there can be no objection to the central Department of Agriculture running this scheme.</p>
<p><i>Matters relating to the United Nations/foreign countries/other foreign agencies</i></p>			
25	Import of cattle as gift from donors in foreign countries.	<p>In order to improve productivity of indigenous cattle by crossbreeding them</p>	<p>As this function is of a co-ordinating nature it may be handled by a central</p>

1	2	3	4
		<p>with exotic breeds the Government of India have been obtaining gifts of foreign breeds of cattle through the agency of charitable organisations like Heifer Projects Incorporated, USA etc. These animals are distributed to various state governments needing them for increasing the quality of their stock. The state governments share the cost of insurance, import duty, freight, etc. Once the animals are transferred to the state governments the entire responsibility of maintaining and rearing them including the financial cost thereon is of the state governments concerned.</p>	<p>agency. Moreover, the animals have to be kept and acclimatized at a central place before distribution.</p>
26	International Dairy Federation.	<p>India is a member of this Federation. A meeting of this Federation is held once in two years.</p>	<p>All matters relating to International Federation have to be performed at the central level.</p>
27	UNICEF aided dairy projects/training programmes.	<p>The UNICEF assistance is received for the dairy development projects which are all in the state sector. The Department of Agriculture comes into the picture in regard to the execution of the agreements for and finalisation of the projects. Of course, the Indian share of the administration, expenditure and implementation of the projects is the responsibility of the state governments. Under these projects dairy equipment and foreign experts are also received in India and the Department of Agriculture performs various</p>	<p>The foreign assistance is received for projects which are in the state sector and the states should, therefore, be allowed to perform as many functions as possible in regard to this scheme. Only such functions which are of co-ordinating nature and cannot be performed at the state level should be entrusted to the Central Government.</p>

1	2	3	4
		functions in connection with the import of equipment and arrival of the experts including the personal effects of the latter. Under these projects, the Government of India can also send persons for training abroad and the selection of these trainees is made by the Department of Agriculture. Training is also arranged within the country and the selection of trainees for this training is finalised by the Department of Agriculture.	
28	USAID assisted dairy projects.	Functions are of similar nature as for UNICEF projects.	Do.
29	Colombo Plan aided dairy projects.	Do.	Do.
30	FAO and Colombo Plan experts and examination of their reports.	Self-explanatory	The matters in regard to the visits of foreign experts and examination of their reports should be handled at the central level.
31	PL 480 research schemes and their progress.	These research schemes are floated by the U.S.A. out of the funds collected under the PL 480 programme. The schemes are fully financed by the U.S.A. and are operated in the various universities and other suitable organisations. Reports on research are sent to the PL 480 authorities through the Department of Agriculture. The role of this Department is apparently that of co-ordination, scrutiny of reports and watching the progress.	This is a function of co-ordination. General supervision has to be performed at a central level because a foreign agency is involved.

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32	Indo-Danish project for the establishment of a dairy cattle centre in Mysore for experimental and training purposes.	<p>This is a state plan scheme. An agreement was entered into by the Governments of India and Denmark on 15-5-63 and would remain in force upto 31-3-70. Under the agreement the Government of Denmark is to bear the entire cost of establishment and operation of the project, including salaries of Danish experts and expenditure on their T.A. and D.A. except the following which are provided by the state government .</p> <p>(i) the land required for the project duly cleared, ploughed and fenced ; and</p> <p>(ii) buildings and services such as roads, water supply and electricity required for the project.</p> <p>In addition, the import of all machinery, equipment, etc., required for the project is to be allowed duty free as also the personal effects of the experts. The project is managed jointly by a Danish Director and an Indian Director between whom the duties and responsibilities have been divided. The Indian Director is appointed by the state government. The Directors are under the general control of a Board composed of a representative of the Government of Mysore and a Danish representative.</p>	<p>The work performed by the Government of India is such as can be performed only by a central agency. The <i>status quo</i> may, therefore, continue.</p>

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		<p>The role of the Government of India in regard to this project is as under :</p> <p>(a) co-ordination work, <i>e.g.</i>, grant of passport, visa, import licence, watching of progress of work and conduct of meetings held in New Delhi etc;</p> <p>(b) exemption of imported equipment and personal effects of the experts from customs duty; and</p> <p>(c) amendments of agreements, etc.</p> <p>The scheme is executed by the state government. The Government of India does not give financial assistance to the state government.</p>	
<p>33 Indo-Swiss Project in Kerala and Swiss credit for other projects <i>e.g.</i>, feed mixing plants.</p>	<p>The Indo-Swiss project envisages the establishment of a dairy farm in Kerala. The roles of the Central Government and the state government are similar to those in the case of the Danish project.</p>	<p>The work performed by the Government of India is such as can be performed only by a central agency. The <i>status quo</i> may, therefore, continue.</p>	
<p>34 Indo-Australia collaboration programme for the establishment of a sheep farm.</p>	<p>The collaboration lies in the field of import of sheep of good breed from Australia.</p>	Do.	
<p>35 Procurement of equipment and poultry feed under the Freedom From Hunger Campaign and World Food Programme.</p>	<p>Under this programme, the Government of India arranges procurement of equipment and feed.</p>	Do.	
<p>36 Foreign experts under the various aid programmes, <i>e.g.</i>, Animal Husbandry and Cattle Development schemes.</p>	<p>This work mostly relates to the exemption of the personal effects of the experts from import duty.</p>	<p>This has to be a central function as it relates to import duty.</p>	

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	<i>Matters falling under the Concurrent List</i>		
37	Delegation of powers under the Essential Commodities Act, 1955.	<p>Under the Essential Commodities Act, the Maharashtra Government desired that the powers may be delegated by the Government of India to all the collectors in the Maharashtra State except the Collector of Bombay for a period of 9 months so that they could control the stocks, prices and movement of cattle fodder and cattle feeds in their respective districts. There was an acute shortage of fodder and hay due to the failure of rains.</p> <p>Accordingly these powers were delegated to the concerned collectors.</p> <p>In a similar case from Mysore Government the request for delegation to Deputy Commissioners was not agreed to by the Department of Agriculture in the absence of any detailed justification by the state government.</p>	<p>If the state governments are allowed to enjoy these powers of imposing a ban it is likely that they may be guided by narrow considerations of only provincial interests. The central authority may be in a better position to understand the difficulties of other neighbouring states and may in the circumstances agree or disallow the request for imposing a ban. These powers may, therefore, continue to be exercised by the central agency.</p>
38	Matters arising out of powers delegated to various states for banning inter-state movement of hay, etc.	<p>A case study showed that the Government of Gujarat were delegated powers under the Essential Commodities Act, 1955, to regulate the movement of fodder from 7 districts of Gujarat affected by drought conditions. They were also requested that the supply of fodder to areas in Maharashtra and other neighbouring states depending for their supply on Gujarat may be maintained at a reasonable level even after the movement</p>	<p>Those powers should continue to be exercised by the centre.</p>

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		<p>of the fodder was restricted under the said Act. The Government of Maharashtra later complained that even the normal supplies of fodder from Gujarat for feeding cattle in Bombay city and Aarey Milk Colony were not being allowed. They requested the Central Government to take up the matter with the Government of Gujarat to allow the movement of normal quantities of fodder to Bombay. The Maharashtra Government also requested for additional supply of railway wagons in adequate numbers and for that matter asked the Central Government to approach the Railway Board. The Central Government wrote to the Government of Gujarat for normal supplies of hay to Maharashtra State which depended on them for their supply of fodder. They also requested the Ministry of Railways to ensure an adequate supply of wagons to the Government of Maharashtra.</p>	
39	Prevention of Cruelty to Animals Act, 1960.	It deals with matters relating to the prevention of cruelty to animals.	This is a central Act falling under the Concurrent List, but actual implementation in regard to imposition of penalties, registration, inspection etc., may be delegated to the states under Section 37 of the Act.
<i>Central Schemes</i>			
40	Expansion of jersey cattle breeding farms.	During the Third Five Year Plan, the Government of India established two	Although the scheme could be handled by the state governments with the funds

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		<p>jersey cattle breeding farms, one at Kataula in Himachal Pradesh and the other at Hesserghatta in Mysore State. The cattle were received as gift from the U.S.A. The foundation stock was multiplied at both farms and distributed to various state governments and institutions in the country for cross-breeding programmes. During the Fourth Five Year Plan, both the farms are proposed to be expanded by construction of buildings and by acquiring greater number of animals. A sum of Rs. 16.50 lakhs has been provided in the Fourth Plan.</p>	<p>and technical assistance given by the Central Government there might be difficulties in ensuring equitable distribution of animals. However, the experiment may be evaluated and thereafter the scheme can be decentralised if it is not of inter-state character and if it becomes self-paying.</p>
<p>41 Establishment of cattle breeding farms.</p>		<p>In order to take up scientific breeding of cattle by progeny testing of bulls and to supply superior quality bulls for improving the genetic quality of cattle in state farms, ICD projects and key village centres, it is proposed to establish six central breeding farms (four for Indian breeds of cattle and two for exotic cattle) during the Fourth Plan at a total cost of Rs. 400 lakhs. One such centre has been set up in Chiplima (Orissa). For the other five centres, the sites are being chosen in consultation with the various state governments. The Department of Agriculture has explained that by and large the establishment of cattle breeding farms within</p>	<p>The scheme is a very expensive one requiring a standard of technical competence which the state governments lack at present. There is also a possibility of clash of interests in regard to the distribution of bulls to various states. Also the scheme is of an experimental nature and may require about a decade before the first results are known. The difficulties which are envisaged in the implementation of this programme by the states are (a) lack of funds (b) lack of technical competence and (c) distribution of quality bulls to other states needing them. The above difficulties are not insuperable. The experiment may</p>

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		<p>the purview of the state sector in respect of local breeds in which they were interested. But in the case of breeds of all-India importance and exotic breeds, as a larger number of states in the region were interested and as it was not possible to set up many small farms, it was necessary that such farms should be set up by the centre so that the requirements of several states could be met. The existing scheme "progeny testing of bulls" has been amalgamated with this scheme.</p>	<p>be evaluated and thereafter the scheme may be decentralised if it is not of an inter-state character and if it becomes self-paying.</p>
42	Central Poultry Breeding Farms, Bombay, Bangalore and Bhubaneswar.	<p>The scheme envisages developing genetically superior strains of poultry by adopting modern breeding techniques. The work consists of (i) combining family and individual selection and (ii) evolving inbred lines for crossing to ascertain their nicking qualities. There are three farms one each at Aarey, Hessarghatta and Bhubaneswar each maintaining 5,000 breeding birds.</p>	<p>Improvement of stock is constitutionally a state subject. This work, however, involves research that has both an inter-state and an intra-state character. Although the work should, in the main, be handled by the states, for it is they who should be interested in maintaining and improving breeding stock, it would be desirable for the centre too to have a station where it can carry on this activity on experimental lines. As the effects of original hybridisation last only for two or three years and as fresh hybridisation has to be undertaken to prevent degeneration, a model central farm can serve a useful purpose, not only in research of an all-India character, but in acting as a line of support should any of the state farms for any</p>

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			reason fail to produce the expected results. Of the three farms, therefore, two should be handed over to the states and one should be run, on model lines, by the centre.
43 Extension of herd registration to the important breeding tracts and formation of breed societies.	The objectives of the scheme are :—	<ul style="list-style-type: none"> (i) to locate superior germ plasm in the breeding tract through milk recording and registration and effect general improvement of the breed through formation of breed societies; (ii) to introduce intensive milk recording in the breeding tract and arrange breeding of selected cows with superior bulls; and (iii) to study the production records collected through the organisation set up in the breeding tracts and lay down standards for selection. 	The centrally administered part of the scheme may continue to be retained by the centre as it caters to more than one state in a particular region. Also considerations of co-ordination, supervision and effective check would necessitate its continuance under the control of the Government of India.
	<p>The scheme consists of two parts—centrally administered and centrally sponsored—for which a total provision of Rs. 20 lakhs has been made. The centrally sponsored part will be transferred to the state sector. The centrally administered portion represents outlay on the existing small nucleus staff appointed by the Government of India located at Rohtak and also on the new units to be located at Coimbatore, Rajkot and Ongole.</p>		

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44	Establishment of five large scale sheep farms (one as central scheme and four as a centrally sponsored schemes).	The scheme aims at production of more sheep of improved type through producing high quality stud rams for increased production of wool and meat. These farms will supply breeding stock for sheep and wool extension centres. The proposal covers five large scale sheep farms at a cost of Rs. 17.86 lakhs each. One will be centrally administered and the other four centrally sponsored.	The centrally sponsored units may be decentralised to the states straightway. As for the central unit the experiment may be evaluated and thereafter it may be decentralised if it is not of an inter-state character and if it becomes self-paying.
<p><i>Statutory/constitutional obligations of the Central Government</i></p>			
45	Rinderpest eradication (centrally sponsored).	<p>Rinderpest is a very deadly disease of cattle and buffaloes, the programme for eradication of which was taken up during the Second Five Year Plan and has to be continuously maintained. It is essential that precautions be taken to prevent the ingress of the disease from adjoining countries like Bhutan, Sikkim and Pakistan where outbreaks still occur. The important activities under this scheme consist of the following :</p> <ol style="list-style-type: none"> (1) vaccine production ; (2) vaccine stations ; (3) establishment of immune belts on international borders ; (4) follow-up work within the states ; and (5) establishment of check-posts on well-defined cattle routes. 	<p>Matters relating to eradication of disease are items in the Concurrent List. As such the programmes of disease control should continue to be handled by the central agency. The centrally sponsored portion of the scheme should be made a central scheme and may be implemented by the states on an agency basis.</p>

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		<p>Only the first three items are centrally sponsored, the rest falling under the state sector.</p> <p>(1) Vaccine production</p> <p>Large quantities of vaccine are produced at IVRI and at Lucknow, Calcutta, Ranikhet, Hissar and Mhow.</p> <p>The object behind treating this scheme as a centrally sponsored one is to maintain standardisation of product.</p> <p>(2) Vaccine stations</p> <p>21 vaccination stations have been set up on the major cattle routes on the international land frontiers of the country.</p> <p>(3) Immune belts</p> <p>To prevent the infiltration of rinderpest from neighbouring countries an immune belt is being created on the international border up to a depth of 10-15 miles.</p>	
46	<p>Establishment of animal quarantine and certification service in India.</p>	<p>The Animal Quarantine Organisation will be an executive agency for preventing dissemination of infectious and contagious diseases of live-stock through restricting export of animals and similarly preventing introduction of exotic diseases of live-stock by prohibiting import into the country of live-stock affected with contagious diseases or live-stock products contaminated with diseased germs. In India, so far there is no such organisation. Under this scheme</p>	<p>The central agency should continue to run the scheme on an agency basis, if necessary.</p>

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		<p>with headquarters at New Delhi, quarantine stations will be set up at Bombay, Madras, Calcutta and Delhi. The scheme may be handled by the Central Government for ensuring that there is no dispute of opinion, that uniformity is maintained and that the central agency being in direct touch with this scheme may be in the know of any ingress of disease into the country from international traffic. Also in most of the advanced foreign countries, the work connected with quarantine and certification is the responsibility of the Federal Government and not of the state governments.</p>	
<p>47 Export of cattle to foreign countries.</p>		<p>Some of the foreign governments are interested in the Indian breed of cattle for the development of cattle in their own countries. Quite often the requests are received from the foreign countries through their Ambassadors in India. These are looked after by the Animal Husbandry Division. A case study revealed that the Government of Philippines requested for donation of six Murrah male buffaloes by way of technical co-operation. The buffaloes were located with the help of the Philippines Ambassador in India at Aarey Milk Colony, Bombay and the animals were shifted</p>	<p>Since this function relates to exploring the possibility of exporting cattle, it will have to be carried on by a central agency in consultation and correspondence with the state governments. This function has, therefore, to be retained at the central level.</p>

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		<p>to Philippines. Sometimes there are prospects of long-term arrangement of exporting cattle during the period, say, 5 to 10 years to help a dairy industry in a foreign country. The prospects of exports of cattle are examined in consultation with the state governments concerned and the foreign agencies are informed accordingly.</p>	
<p>48 Live-stock Importation Act, 1898, as amended in 1953 and rules made thereunder.</p>		<p>Under Section 3 of the Act, the Central Government is empowered to restrict or prohibit the import of live-stock from foreign countries. The state governments are empowered to make rules for the retention, inspection, disinfection or destruction of imported live-stock, fodder, clothing, fitting, etc., pertaining to live-stock. The Central Department of Agriculture framed model rules in regard to the import of live-stock for the benefit of and adoption by the state governments. This helps the state governments to frame the rules in proper perspective and it also enables the Central Department of Agriculture to achieve co-ordination and uniformity of approach with regard to import of live-stock. Since the responsibilities of two agencies, namely, central and state are fairly demarcated the <i>status quo</i> may continue.</p>	<p>At present the liability to frame and administer rules under the Live-stock Importation Act, 1898, as amended in 1953 is the responsibility of the state governments concerned. This activity may continue, the centre providing the necessary technical guidance and effecting co-ordination, whenever necessary.</p>

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49 Milk product factories in the private sector—issue of licences for.	The Department advises the Ministry of Industry in regard to the issue of licences under the Industries (Development and Regulation) Act, 1951, for the establishment of milk product factories in the private sector.	This is an advisory function and has obviously to be performed by the Ministry concerned at the central level.	
<i>Release of foreign exchange</i>			
50 Release of foreign exchange for state plan schemes.	Self-explanatory.	This is a central agency function.	
<i>Matters relating to inter-state questions or matters affecting more than one state</i>			
51 Supply of feed and fodder to scarcity areas and areas affected by drought.	In the face of the latest scarcity and drought conditions the Department of Agriculture is actively helping the states in finding out the supplies of fodder, bhosa, equipment and vehicles, etc., from the sources to which the central agency has an access. The object is that the central agency being in intimate contact with the authority concerned will be in a better position to co-ordinate and strengthen the activities of the state governments in arranging the necessary supplies urgently and expeditiously.	These functions are of temporary and transitory nature and have got to be retained at the central level. These functions can prove effective only in conditions which are emergent and unforeseen. The centre may continue to discharge these duties.	
52 Training Centre for Sheep Husbandry and Wool Technology, Poona (centrally sponsored).	This scheme aims at providing specialised training to the nominees of the state governments in all branches of sheep and wool production. The training centre provides facilities for admission of 30 officers	This is substantive training and should be paid for by the states availing of it. Since this function embraces all states, it may continue to be performed by the central agency.	

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		<p>from the various states. This is the only centre of its kind in the country providing specialised training suited to the requirements of sheep and wool programmes of the states concerned. The trainees will be absorbed in the sheep and wool projects of various states. The centre is likely to be shifted to Malpura under the aegis of the Central Sheep and Wool Research Institute.</p>	
<p>53 Wild and stray cattle catching scheme—only the training part (CCG scheme).</p>		<p>This consists of two parts— (i) disposal of the surplus unclaimed cattle and (ii) providing training facilities to Catch Teams in the states. A transit camp has been maintained at Karnal where the surplus productive and unproductive cattle caught by the state teams are collected. The productive ones are allotted free to <i>bona fide</i> cattle breeders, Gaushalas and farmers' co-operatives. The unproductive ones are sent to the Gosadans.</p>	<p>Since there should be some agency for such work of training and utilisation of surplus productive and unproductive cattle caught in the states, the CCG is the proper agency to handle it. As for training, it is a substantive training and should be paid for by the state availing of it. Since this function embraces all states, it may continue to be performed by the central agency.</p>

Annexure V
(See paragraph 7)

Functions of the Central Council of Gosamvardhana

The broad functions of the Council are:—

1. to organise, implement and co-ordinate activities relating to the preservation and development of cattle and, generally, to administer the schemes relating thereto for the greater production of milk and increase of draught power;
2. to organise and co-ordinate the State Councils of Gosamvardhana, Federations of Gaushalas and Pinjrapoles on matters relating to the development of cattle wealth and establishment and development of Gaushalas on proper lines;
3. to establish key village centres for the breeding of cattle on scientific lines and the starting of Gosadans for bovine cattle and to diffuse useful scientific knowledge on animal husbandry throughout India;
4. to sponsor schemes relating to increased production of feeds and fodder, improvement and development of pastures and grazing areas, salvage of any dry cattle, rearing of calves, rounding up of wild and stray cattle, running of training centres and other allied subjects;
5. to take steps for the prevention and eradication of infectious and contagious diseases affecting the life and health of bovine cattle and also take adequate steps for preservation of cattle in times of famine and other emergent situations;
6. to review from time to time the progress of schemes relating to preservation and development of cattle in the light of the co-ordinated programme and policy laid down for the country and to consider such additions and alterations to the programmes as may be found necessary in the light of experience gained;
7. to take such steps as may be necessary to implement provisions of the Constitution relating to the organisation of animal husbandry as expressed in Article 48;
8. to collect statistics in respect of the cattle population of the country, number of Gaushalas and Pinjrapoles and other matters referred to above;
9. to carry on propaganda for the promotion of the objectives hereinbefore mentioned;

Annexure V—concl'd.

10. to take such other measures for Gosamvardhana including those mentioned herein as may be considered necessary from time to time;
11. to advise the Central and state governments concerned on any point referred to it by them; and
12. to establish and maintain research and reference libraries, reading rooms, etc.

Annexure VI
(See paragraph 8)

List of schemes financed by the ICAR out of its own funds which may be decentralised

S. No.	Name of the project	Location
1	Anatomy of camel	Rajasthan.
2	Scheme to investigate into the causes of degeneration of Jamnapari goats when taken away from their home tract to other areas.	Uttar Pradesh.
3	Scheme to study the influence of environment of chicken in dry and hot regions of Rajasthan.	Rajasthan.
4	Effect of providing supplementary feeds during lean period of the year on meat and wool production.	Uttar Pradesh.
5	Crossbreeding of cattle	Andhra Pradesh.
6	Scheme for crossbreeding of cattle	Mysore.
7	Evolving a new breed of dairy cattle by crossing Haryana and nondescript Bengal cows with an exotic breed (Jersey).	West Bengal.
8	Scheme to compare selective breeding with grading up as a means of improving the cattle of West Bengal.	West Bengal.
9	Scheme for investigating the comparative value of grading up with Sindhi bulls and crossbreeding with Jersey bulls for increased milk production.	Kerala.
10	Milk potentiality of the indigenous cattle of Assam	Assam.
11	Scheme for development of mutton breeds of sheep	Andhra Pradesh.
12	Scheme for development of mutton breeds of sheep	Assam.
13	Developing strains of goats for mohair production	Maharashtra.
14	Development of Angora goats for meat and mohair production	Himachal Pradesh.
15	Scheme for evolving a new type of pigs by crossbreeding	Uttar Pradesh.
16	Comparative study of selective breeding of local pigs in Sikkim versus crossbreeding with a selective foreign breed and to evolve a breed of pigs suitable for Sikkim.	Sikkim.
17	Evolving a new breed of pigs by crossing local pigs with large white yorkshire.	Assam.
18	Scheme to determine the comparative yield of different improved perennial grasses which can be grown in Jabalpur region of Madhya Pradesh and to establish the yield per acre as well as chemical analysis at different cuttings.	Madhya Pradesh.
19	Survey of pig diseases	West Bengal.
20	Scheme for the appointment of Assistant Disease Investigation Officer.	Punjab.
21	Poultry disease investigation	Rajasthan.
22	Appointment of Assistant Disease Investigation Officer	Jammu & Kashmir.
23	Scheme of investigation into diseases of ducks	Andhra Pradesh.

Annexure VI—concl'd.

S.No.	Name of the project	Location
24	Scheme of investigation into diseases of ducks	Assam
25	Scheme of investigation into diseases of ducks	West Bengal
26	Studies on the incidence and diagnosis of bovine tuberculosis ..	Orissa
27	Study of the helminthic parasites in camels (morphology and bionomics).	Rajasthan
28	Project for animal virus research laboratory with facilities for cell culture work.	Uttar Pradesh
29	Scheme for studies on mucosal disease complex with particular reference to incidence.	Madhya Pradesh
30	Studies on the chemical composition and nutritive value of duck egg.	Kerala
31	Scheme for hatchability of duck egg	Orissa
32	Sample survey for estimation of annual production of milk and eggs and collection of reliable statistics on various bovine and poultry practices in Mysore.	Mysore
33	Sample survey for estimation of annual production of milk and eggs and collection of reliable statistics on various bovine and poultry practices in Andhra Pradesh.	Andhra Pradesh
34	Sample survey for estimation of annual production of milk and eggs and study of the various bovine and poultry keeping practices in Orissa.	Orissa
35	Sample survey for estimation of annual production of milk and collection of reliable statistics on various feeding and rearing practices of cattle and buffaloes in Kerala.	Kerala
36	Sample survey for estimating annual production of milk and study of the bovine practices in West Bengal (1966-67).	West Bengal
37	Estimating meat production in Madras	Madras
38	Rehabilitation of the depleted clam beds of Vembanad lakes ..	Kerala
39	Economics of farming with cyprinus carpio in paddy fields ..	Kerala
40	Scheme for the investigation of toxic plants and herbs lethal to domestic animals.	Punjab
41	Scheme for study of cattle insurance	Punjab
42	Scheme for study of cattle insurance	Andhra Pradesh

Study V

AGRICULTURAL MARKETING

ORGANISATION

'Agricultural Marketing' falls within the purview of Entry 33 of List III of the Seventh Schedule to the Constitution (*Annexure I*). This subject is dealt with by the Directorate of Marketing and Inspection, which is an attached office, with the Agricultural Marketing Adviser (AMA) to the Government of India as its head. In the Ministry itself, only one section is looking after the secretariat functions of this organisation. The organisation chart of the Directorate is at *Annexure II*.

MAIN FUNCTIONS

2. The main functions of the Directorate are listed below:—

- (i) investigation and survey of conditions of marketing of the major agricultural and animal husbandry products and publishing reports thereon;
- (ii) administration of the Agricultural Produce (Grading and Marking) Act, 1937 and work on standardisation and grading of agricultural and animal husbandry products;
- (iii) market extension;
- (iv) market research and surveys;
- (v) training of marketing personnel;
- (vi) administration of the Fruit Products Order, 1955;
- (vii) administration of the Cold Storage Order, 1964;
- (viii) other marketing developmental work mainly comprising regulation of markets, standardisation of contract terms and standardisation of weights and measures relating to marketing; and
- (ix) undertaking responsibility for drawing up the national plan for the development of activities in close liaison with the states.

3. These functions are either regulatory, advisory or administrative. As will appear from the ensuing discussion, some delegation is possible of the regulatory functions, considerable delegation is possible of the administrative duties, but very little is possible of the advisory functions.

ANALYSIS OF FUNCTIONS

4. An analysis of the functions of the Agricultural Marketing Adviser is given below:—

- (i) *Investigation and survey of conditions of marketing of*

*the major agricultural and animal husbandry products
and publishing reports thereon*

Commodities are taken up by the Directorate for investigation in consultation with the state marketing departments. The Directorate also undertakes surveys at the instance of Commodity Development Councils, the Indian Council of Agricultural Research and other ministries. A questionnaire is developed and sent to the state marketing departments for furnishing necessary information. An integrated all-India picture is then presented for the marketing survey reports published by the Directorate. The state marketing departments are free to publish their own survey reports. The Directorate of Marketing concentrates only on problems of all-India or inter-state character and may continue to do so.

- (ii) *Administration of the Agricultural Produce (Grading and Marking) Act, 1937 and work on standardisation and grading of agricultural and animal husbandry products*

The administration of this Act forms the core of the work of the AMA and relates to the standardisation and grading of agricultural and animal husbandry products. The functions of the AMA here consist of:—

- (a) formulation of grade standards;
- (b) authorising persons (whether producer or middleman) to grade products according to AMA's specification and use his label called "AGMARK";
- (c) inspection of goods graded for export;
- (d) inspection of goods graded for the consumer in the domestic market;
- (e) assistance in grading at the farmers' level; and
- (f) providing laboratories for testing articles to enable grading.

The Marketing Sub-Committee of the Policy Committee on Agriculture under the chairmanship of Shri T. Vijayaraghavacharya had recommended, as early as in 1946, that the marketing work should be divided between the states and the centre. It had recommended that while the AMA's organisation should be concerned with the drawing up of grades and grade specifications for commodities under the Agricultural Produce (Grading and Marking) Act, 1937, the actual execution and supervision of grading work in the states' sphere and the control of grading stations should rest with the states. Not all the decentralisation recommended by this committee may, however, be desirable.

The discussion below will elucidate what can safely be decentralised and what should be retained.

(a) Formulation of grade standards

With a view to having uniformity of grade standards, it is necessary that the standards are laid down by a central agency. The AGMARK grade specifications are drawn up on the basis of the results of the analysis of a number of samples collected from different areas at different periods of the year. These specifications are then incorporated in the relevant grading and marking rules. So far, the Directorate has drawn up standards in respect of 90 agricultural commodities covering 277 trade descriptions. There are four Central Government Legislative Acts pertaining to the establishment and implementation of standards for use in the marketing of Indian produce and products (*see Annexure V*). There is a broad division of work between the Indian Standards Institution and the Marketing and Inspection Directorate in regard to the promulgation of grade specifications. The latter has the authority to draw up grade specifications for all agricultural produce in their raw form while the former is more concerned with their processed forms, and usually does not concern itself with unprocessed agricultural produce in promulgating its standards unless requested by the Directorate to do so. If the Institution considers specifications necessary for any agricultural commodity in the natural form, it draws them up always with the approval of the Ministry of Food and Agriculture and in collaboration with the Directorate. In all matters concerning agricultural produce, the two organisations work together. Whenever appropriate, the Directorate adopts the specifications prescribed by the Institution; similarly, on certain occasions, the Institution has adopted the AGMARK specifications.

While fixing the specifications under AGMARK the Directorate of Marketing and Inspection takes care that they do not conflict with the minimum compositional standards prescribed by the Ministry of Health under the Prevention of Food Adulteration Rules, 1955. The Ministry of Food and Agriculture is represented on the Central Committee for Food Standards, through the Directorate. This ensures that, while the standards are prescribed under the Prevention of Food Adulteration Rules, the findings of the Directorate and the data it collects are considered.

(b) Issue of Certificate of Authorisation

Any person desirous of being authorised to mark any article with a grade designation has to get a certificate of

authorisation from the AMA. The procedure adopted for the issue and renewal of these certificates is given in detail in *Annexure III*. It clearly does not involve any function which cannot be performed by the state governments competently. The best thing would be for the AMA to delegate his powers in this matter to the states and to conduct random inspections to see that the powers are used correctly. For this purpose, the General Grading and Marking Rules, 1937 will require to be amended to provide for such a delegation.

(c) Grading for exports

With the object of promoting exports, the Central Government has prohibited the export of various commodities under the Customs Act, 1962, unless they are graded and marked in accordance with the provisions of the Agricultural Produce (Grading and Marking) Act. Separate inspectorates have been set up at different centres, including export points, where the commodities are packed for export. The value of exports of commodities requiring compulsory grading amounted to Rs. 60.60 crores during 1965-66. Most of the expenditure is recovered from the traders in the form of label charges. Uniformly high standards have to be maintained lest there should be complaints from importers abroad about sub-standard goods having been despatched to them. There is a general fear that exports being a sensitive item, the state governments, if saddled with this responsibility, may not discharge it properly. Different states have varying degrees of confidence in their ability to handle this work. Although it would appear that administratively the grading work would be well within the competence of the states (laboratory work remaining with the centre), it is doubtful if such an item should be decentralised for the centre does have a responsibility in ensuring minimum standards in the quality of goods exported. How well the centre itself is discharging this responsibility was not really a question to be looked into in this study, but it is clear that the centre is in the best position to secure adherence to standards in export items. Moreover, there is no distinct advantage in decentralising this function to the state agency. In view of what is stated above it is considered that the grading for exports should continue to be handled by a central agency.

(d) Grading for consumers

The Agricultural Produce (Grading and Marking) Act is permissive and the grading is done by the parties on a voluntary basis. For certain articles like eggs and rice, where no laboratory tests are needed, grading is being supervised entirely by the

staff of the state marketing departments. There are, however, certain commodities like ghee, butter, vegetable oils and honey the purity and quality of which can be determined only on the basis of chemical analysis which is done by the Central Directorate. It is considered that grading work in respect of all commodities can be entrusted to the state governments. It has been contended that due to the prevalence of regional standards and their recognition under the Prevention of Food Adulteration Rules, the AMA should continue to have the responsibility to ensure that in the inter-state movement, ghee conforms to the standard of the region where it is produced and packed. However, there are no special reasons for treating ghee on different lines. Even AMA's control extends only to chemists in private laboratories and not chemists in state laboratories who are appointed by the state governments. If the state governments can be trusted to appoint their own chemists they can also be relied upon to exercise control and supervision over private chemists. Routine chemical tests, wherever necessary, for the analysis of samples can be undertaken in the laboratories set up by the states. Commodities requiring intricate chemical tests can be sent by the state governments to the regional laboratories for analysis and direct communication of results to the states. The AMA should, however, have the authority to collect check samples of the commodities graded under the aegis of the state governments. This will enable the AMA to maintain a watch over the powers exercised by the states as a result of this decentralisation and delegation.

(e) Grading at farmers' level

To ensure that the benefits of grading accrue to the farmers, grading of produce (mostly foodgrains and oilseeds), before it is actually sold, has been taken up in the regulated markets and by the co-operative marketing societies of farmers. This work is being already handled entirely by the state marketing staff. The officers of the Directorate, however, are expected to provide liaison in different states and also for solving the bottlenecks and difficulties that may crop up. This liaison work may continue to be handled by the AMA.

(f) Regional laboratories

There is a Central Agmark Laboratory at Nagpur which has been charged with the responsibility of conducting research and analysis and to exercise appellate and supervisory powers over the regional laboratories which mainly undertake analysis and grading of samples. With the proposed decentralisation of grading for consumers, more than one state will be sending samples

to a regional laboratory. Further, the central agency will also be sending samples to the regional laboratories for analysis. It is, therefore, recommended that the control of the Central Agmark Laboratory and the regional laboratories may continue to vest with the centre.

(iii) *Market extension*

The Market Extension Wing does publicity work on grading by bringing out news items, feature articles, pamphlets and periodicals and by participating in a number of international fairs, exhibitions, etc. This Wing is a recent creation and is charged with a function that can appropriately be entrusted to a central agency.

(iv) *Market research and surveys*

There is a market research cell in the Directorate which conducts surveys and brings out reports on commodities of all-India importance. Since this work is of an all-India character, it may continue to be handled by the central agency.

(v) *Training*

Only three training courses are being conducted: one of one year's duration for superior marketing personnel; one for five months for marketing secretaries and the third of three months' duration for graders (inspectors). Except for the one year's course the training imparted by the Central Directorate is not of a foundational nature and need be handled at the central level only on payment basis.

(vi) *Fruit Products Order, 1955*

This order was promulgated under the Essential Commodities Act, 1955. It provides for the compulsory licensing of the manufacturers of fruit products and conformation to certain minimum standards in respect of quality, packing, marking and labelling, as well as of hygiene and sanitation of manufacturing premises. The AMA is the statutory authority for the administration of this Order and performs functions in respect of the prescription of standards, inspection and licensing of factories and collection of samples. The officers and staff engaged in this work are paid by the Department of Food but are under the administrative control of the AMA. Analysis of samples is done by the Central Food Technological Research Institute. In the interest of uniformity, minimum standards should appropriately be prescribed by the central agency. Similarly, analysis of samples should be left to the Central Food Technological Research Institute. However, from a reading of the relevant portion of *Annexure III*, it will be clear that there is nothing in the remaining

itemised activities undertaken by the AMA that cannot be equally well performed by the states. Indeed, for reasons of time and distance, supervision would be better if done at the state level. To begin with, and as a measure of caution, delegation of powers regarding inspection, licensing, etc., to the state governments need not extend to large scale enterprises (defined as those whose annual production exceeds Rs. 1 lakh). But even regarding large scale factories, licences should be granted by the AMA on the recommendation of the state government and no duplicate organisation in the field is necessary. The renewal of licences should be entirely left to the state agency. With a view to ensuring that the rules are not circumvented by the delegated authority, the AMA's organisation can do check sampling and carry out random inspections of factories.

The fruit products industry is increasingly becoming export and defence oriented but the decentralisation proposed should not affect this orientation, particularly because certification for import of equipment will be retained by the AMA.

It may, however, be mentioned in this context that the administration of this Order (as it was issued in 1945) was decentralised to the states in 1949. This decentralisation was not considered a success, partly because the states did not build up adequate technical expertise and partly because the employees transferred were said to have been discontented. That experience, however, need not be repeated. Problems of absorption should not prove insurmountable and the states should be able to set up adequate technical agencies where necessary. The expertise required is of a level well within the range of the states and the Order should be implemented by them to secure maximum efficiency.

(vii) *Cold Storage Order, 1964*

This Order was also promulgated under the Essential Commodities Act. The AMA is the licensing authority under this Act. The officers and the staff engaged in this work are paid by the Department of Food but are under the administrative control of the AMA. His role consists of conducting surveys about the availability of raw materials for storage and certifying the import of spare parts for cold storages, collection of statistics, inspection and licensing of cold storages. These functions can be handled by the state governments without any difficulty and should be decentralised. The AMA will, however, retain power in regard to the inspection of cold storages, on a random basis, with a view to determining whether the provisions of the Cold Storage Order are being complied with by the state governments.

(viii) *Other marketing developmental work*

This mainly comprises:

(a) Regulation of markets

Although 'markets and fairs' is a state subject the Directorate co-ordinates the activities and renders guidance to the state governments, particularly in regard to the preparation and finalisation of the draft agricultural produce market bills. This is necessary for maintaining uniformity in regard to the pattern of regulation throughout the country. It may, therefore, continue to be done by the central agency.

(b) Standardisation of contract terms

The Directorate undertakes formulation of standard contract terms with a view to establishing a uniform and rational system for the negotiation of contracts. The standardisation of contract terms is particularly useful for inter-state and international trade and may, therefore, be done by the central agency.

(c) Standardisation of weights and measures

This subject is now handled by the Ministry of Commerce. The Directorate has been rendering advice to that Ministry with regard to fixation of units of quotation, packaging, etc., and introduction of metric system in the commodity markets.

(ix) *Drawing up of the national plan*

This is obviously a central function and has, therefore, to be performed by a central agency.

DECENTRALISATION

5.1 A detailed analysis of the functions referred to above may be seen at *Annexures III and IV*. *Annexure III* lists the functions/schemes which can easily be decentralised and at *Annexure IV* may be seen the functions/schemes which must perforce remain, as an administrative necessity, with the centre.

FINANCIAL IMPLICATIONS

5.2 If the analysis here is accepted as correct, schemes worth Rs. 0.71 crores approximately will be decentralised and those worth Rs. 1.72 crores approximately retained. Much of the expenditure proposed to be decentralised will, of course, be recovered in the form of label charges from the trade. Besides schemes, many of the functions at present performed by the AMA will get delegated to the states, making it possible to supervise these activities more closely.

EXTENT TO
HIGH
CENTRAL
FUNCTIONS
RE PER-
FORMED

6.1 The analysis so far indicates what functions the centre has been performing which should, in fact, have been performed by the states and should be decentralised. It would be of interest to note how effectively it has been able to discharge some of the basic functions that flow from its role as leader, innovator, technical guide, disseminator of information, planner and evaluator.

6.2 In the performance of some of these functions varying degrees of leeway need to be made up. Thus, in regard to clearing house functions, while there exist a marketing extension wing and a market research cell charged with the responsibility of (i) providing necessary liaison between the states (ii) carrying out surveys and preparation of reports and (iii) bringing out publicity material including a journal on agricultural marketing and a half-yearly newsletter, etc., there is no systematic reporting and feed-back information from the states. The Ministry itself has only one section and has no technical officer. The Directorate comes in contact with the state governments through spasmodic personal visits, periodical meetings of the state marketing officers, and monthly reports submitted irregularly by the states, etc. The Directorate does not receive any progress reports in regard to state plan schemes from the states and does not have the full account of the administrative set-up of and the activities pursued by the marketing organisations of the states. The Directorate does not analyse the state marketing set-ups and consequently does not communicate to the state governments good points discovered in the state marketing organisations. The Directorate should take effective steps to ginger up state organisations. Although the Directorate issues instructions periodically, these are not in sufficient detail. Thus manuals could have been expected to be completed by the Directorate and issued to all graders and to all state governments for guidance.

6.3 As for drawing up the national plan, there is no systematic effort in planning for marketing. The Working Group, with AMA as one of the members, prepared the report for the formulation of the Fourth Five Year Plan schemes and sent it to the Planning Commission. No representative from the states was included in it, nor was the exercise done in close liaison with the states. No state plan schemes are received from them.

6.4 The work of research at the national level is entrusted to the Central Agmark Laboratory and a research cell which has been created with the responsibility of periodical revision of market reports already published, undertaking of new surveys

relating to the commodities not yet covered, revision of key indicators and investigations into specific aspects such as market trends, shifts in marketing practices, consumption patterns and consumer preferences, cost and margin, estimation of marketing surpluses, causes of shrinkage in market arrivals, carrying out special studies on price spreads of various commodities, etc. Separate survey reports on various commodities have been published. Creditable work has been done in this sphere although the revision of survey reports has been neglected owing to the late receipt of information from the various states. Since the research cell was set up only a few years back, it is expected that the marketing organisation will be able to accomplish the task expected of it.

6.5 As for training, three training courses are being conducted: one of one year's duration for superior marketing personnel; one for five months for market secretaries and the third of three months' duration for graders (inspectors). Except for the one year's course the training imparted by the Central Directorate is not of a foundational nature and need be handled at the central level only on payment basis. The Directorate has not evolved any system for the training of laboratory staff whether of a foundational nature or of a substantive nature so that the states develop confidence in the handling, grading and testing of commodities.

6.6 No evaluation of programmes is being done. There is no system of reporting by the state governments in respect of progress of state plan schemes. Only oral discussions are held during the spasmodic visits of the central officers. Annually, a letter is sent out to the states asking for activities performed at the state level but that is only for purposes of including a paragraph in the annual report.

6.7 A forum for the exchange of ideas is provided by mutual visits of officers and annual and five year plan discussion, etc. The state marketing officers also meet annually. Thus, this function is being discharged although perhaps there is scope for extension by providing a meeting ground for the regional officers of the Directorate of Marketing and Inspection and field officers of the states.

Seventh Schedule to the Constitution of India

List III

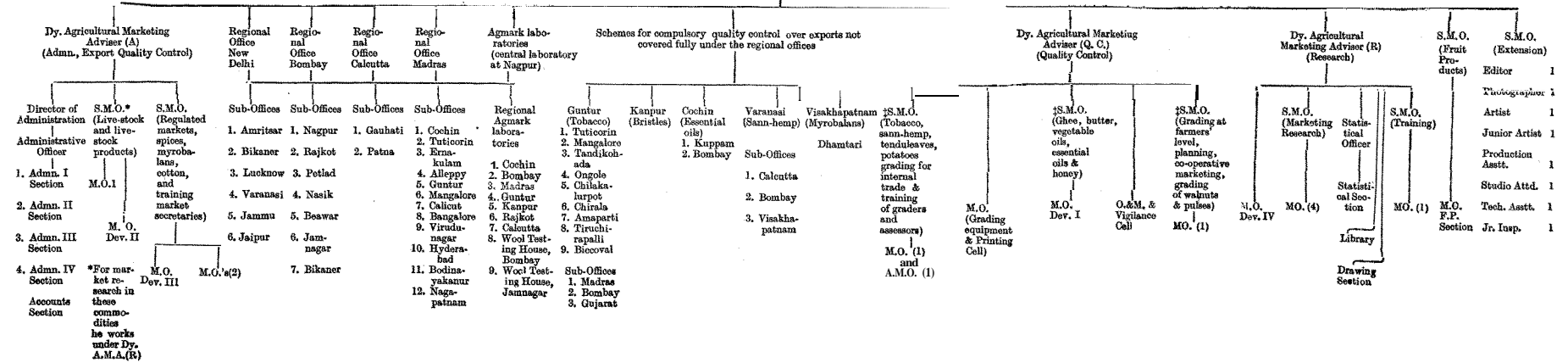
Entry 33. Trade and commerce in, and the production, supply and distribution of:—

- (a) the products of any industry where the control of such industry by the Union is declared by Parliament by law to be expedient in the public interest, and imported goods of the same kind as such products;
- (b) foodstuffs, including edible oilseeds and oils;
- (c) cattle fodder, including oilcakes and other concentrates;
- (d) raw cotton, whether ginned or unginned, and cotton seed; and
- (e) raw jute.

Directorate of Marketing and Inspection
Organisation Chart

(See paragraph II)

AGRICULTURAL MARKETING ADVISER



†For compulsory quality control he works with Dy. AMA (Admin.).

Name of Section	Items of work handled
Development I	.. Grading of veg. oils, essential oils, ghee, butter, honey and matters relating to the Central Agmark and regional agmark laboratories.
Development II	.. Grading of wool, bristles and goat hair, animal casings, tobacco, sann-hemp, tenduleaves and internal grading of all commodities other than those listed under other sections.
Development III	.. Grading of myrobalans, black pepper, cardamoms, chillies, turmeric, ginger, onions, garlic, table potatoes, pulses and walnuts. Regulation of markets and training of Market Secretaries.
Development IV	.. Planning, co-ordination of technical activities, training, research, market extension, meetings, A.P.G.M.A.C.T. & Rules, co-op. marketing, Hindi work and parliament questions (tech.), library and marketing journal & news letter.
Fruit Products	.. All work relating to fruit products.
Administration I to IV	Administration and house-keeping functions.
Accounts	.. Accounts work.

In addition, a Dy. Sr. Marketing Officer assisted by junior staff is engaged in ad hoc economic survey of Beedi Tobacco and Beedi Industry in the country.

Annexure III
(See paragraphs 4 and 5.1)

Directorate of Marketing and Inspection
Functions to be transferred to the state governments

S. No.	Scheme/Function	Brief description	Remarks
1	2	3	4
<i>Subjects/Schemes which can be handled by the state governments under delegated powers</i>			
1	Issue of certificate of authorisation.	Under the Rules made under the Agricultural Produce (Grading and Marking) Act, 1937, any person desirous of being authorised to mark any article with a grade designation has to apply to the AMA. If, after due enquiry, the AMA (or any person duly authorised by him in this behalf) is satisfied that it is expedient in the interest of better marketing that the authorisation be granted and that the applicant is a fit and proper person to receive a certificate of authorisation, he issues such a certificate to the applicant. The Grading and Marking Rules, of course, lay down various conditions in regard to the Agmarking of different commodities, methods of processing and packing of these commodities, etc. A similar procedure is adopted in regard to the renewal of these certificates. This certificate is issued for commodities meant for internal consumption as well as for those to be exported.	This work does not involve any functions which cannot be performed by the state governments who can issue the certificate under delegated powers. For this purpose, the General Grading and Marking Rules, 1937, will require to be amended to provide for such a delegation.
2	Grading for consumers.	This grading is done with a view to establishing the confidence of the consumers in regard to the quality of the articles used by them. Grading is, however, done only on a voluntary basis	The grading of some of the articles where no laboratory test is needed is already being done under the supervision of the state marketing staff. It is considered that grading work in

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	<p>A large number of commodities are being graded for internal marketing and trade, and of these the most important are ghee, vegetable oils, butter, rice, wheat flour, honey, gur, raw sugar, cotton, potatoes, eggs, citrus and other fruits. Grading rules for various commodities have been framed under the Agricultural Produce (Grading and Marking) Act, 1937. These rules lay down the detailed procedure and specifications for grading the commodities under different grades. In regard to certain articles like eggs and rice, where no laboratory tests are needed, grading is being supervised entirely by the staff of state marketing departments. In the case of wheat and atta also, grading is done under the supervision of the state marketing staff. The Directorate of Marketing and Inspection comes into the picture in so far as the samples drawn by the state marketing staff have to be analysed by various laboratories set up by the Directorate of Marketing and Inspection.</p>	<p>respect of all commodities can be entrusted to the state governments. Routine chemical tests, wherever necessary, can be under taken in the laboratories already set up or can be easily set up by the state governments themselves. Commodities requiring intricate chemical analysis can be sent by the state governments to regional laboratories as is being done even now by the central agencies. All these functions may be performed by the states under delegated authority.</p>	
	<p>The position in regard to ghee is, however, slightly different. Under the Prevention of Food Adulteration Act, it has been decided by the Ministry of Health, that, ghee which does not conform to the all-India standards because of certain biological factors like breed of the cattle or feed being given to the cattle, can move from one state to another only if it is graded under AGMARK. Due to the prevalence of regional standards</p>	<p>There are no special reasons for treating ghee on different lines from those mentioned in the above paragraph. This may also be delegated to the state governments subject to the following:—</p>	

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	<p>and their recognition under the Prevention of Food Adulteration Rules, it has become the responsibility of the Directorate of Marketing and Inspection to ensure that in the inter-state movement, ghee conforms to the standard of the region where it is produced and packed. Grading of ghee involves the following steps:</p>		
	(i) Issue of certificate of authorisation	<p>The state government may issue the certificate under delegated powers. The Grading and Marking Rules will require to be amended for such a delegation.</p>	
	(ii) Approval and appointment of chemists	<p>This power may also be given to the states particularly when the state governments are authorised to appoint chemists in the laboratories controlled by them.</p>	
	(iii) Issue of grade designation marks	<p>The AMA should, however, have the power to withhold the issue of labels to the packers and withdraw from the market unconsumed stocks if he finds, on the results of check samples, that ghee graded by packers does not conform to the specified standards.</p>	
	(iv) State/private laboratories	<p>The state laboratories are already under the control of the state governments. For private laboratories, it has been proposed separately that the chemists attached to the private packers may be transferred to the state governments' control.</p>	
	(v) Check sampling	<p>The present procedure of check sampling by the central and state officers may continue.</p>	

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3 Grading at farmers' level.	<p>To ensure that the benefits of grading accrue to the farmers, grading of produce, before it is actually sold, has recently been taken up in the regulated markets and by the co-operative marketing societies of farmers. Here, grading is mostly confined to foodgrains and oilseeds. This work is being entirely supervised by the state marketing staff. The officers of the Directorate of Marketing and Inspection, however, provide liaison, so that uniform standards are maintained in different states and also for solving the bottlenecks and difficulties that may crop up.</p>	This is already decentralised.	
4 Check sampling	<p>Any lot of graded and marked goods can be subjected to check sampling either at the producers' premises or in the market. Different instructions have been prescribed for sampling of various commodities. For ordinary sampling only one sample is drawn while for export purposes and for check sampling, three samples are drawn—one being sent to laboratory for testing and one each being retained by the inspecting officer and the packer. Advisory panels have been constituted for settling of disputes over the decision of the inspecting officer about grades of samples. If there is a difference of opinion between the inspecting officer and the panel, the matter will be referred to the Senior Marketing Officer concerned. The final appeal on these cases lies with the AMA whose decision is binding.</p>	<p>At present the central as well as state government officers are authorised to draw out samples. This position can continue.</p>	

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5	Regulated markets	<p>With a view to removing various malpractices such as short weights, excessive market charges, unauthorised deductions and allowances by the commission agents and the buyers and providing machinery to settle disputes between sellers and buyers, the necessity of statutory regulation of markets was keenly felt. It is, however, a state subject and the Directorate of Marketing and Inspection co-ordinates the activities and renders guidance to the state governments in the regulation of markets. The draft Agricultural Produce Market Bills prepared by various states are scrutinised and necessary suggestions made, with a view to maintaining uniformity in regard to the pattern of regulation and effective enforcement throughout the country.</p>	<p>The regulation of markets is a state subject and this function is already decentralised. However, some work of co-ordination done by the centre will be necessary even after all the states have enacted the requisite law.</p>
6	Five months' training course of market secretaries and other staff required for regulated markets.	<p>This course was started in 1957 and training is imparted at Hyderabad, Sangli and Lucknow.</p> <p>This course is intended for the training of market secretaries and is conducted at Sangli in Maharashtra, Hyderabad in Andhra Pradesh and Lucknow in Uttar Pradesh. The trainees sponsored for the course would be entitled to a stipend of Rs. 50 p.m. There are two courses every year, one from September to June and another from February to July. Out of the total period of five months two months are spent on lectures on agricultural marketing,</p>	<p>The Committee appointed in 1965 by the Department of Agriculture to go into this question recommended among other things that the Central Government should provide adequate facilities for training of field staff at the state level if necessary with the central assistance, as no arrangements existed for the training of such basic staff. This function should, therefore, be decentralised. As long as it is undertaken by the centre it should be undertaken on payment by the states.</p>

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		<p>study of market acts, rules and bye-laws and the remaining period is utilised for practical training in regulated markets, and training in methods of analysis of food grains, etc.</p> <p>The candidates are sponsored by the state governments from those already in the service of the market committees or from prospective entrants. In case of new recruits the minimum qualification is a degree in agriculture or commerce except in the case of those who have worked as market secretaries for at least three years.</p>	
<p>7 Three months' course for graders and assessors.</p>	<p>This course was started in 1962 and training is imparted at Nagpur and Madras. This course is meant for the training of graders and assessors and for supervisors. The qualification for supervisors is graduation in agriculture or science with chemistry as one of the subjects and that for graders and assessors matriculation or equivalent. There are three courses in a year from January to March, May to July and September to November with one month's recess between one course and another.</p>	<p>The Committee appointed in 1965 by the Department of Agriculture to go into this question recommended among other things that the Central Government should provide adequate facilities for training of field staff at the state level, if necessary with central assistance, as no arrangements existed for the training of such basic staff. This function should, therefore, be decentralised. As long as it is undertaken by the centre, it should be undertaken on payment by the states.</p>	
<p>8 Fruit Products Order, 1955 (FPO).</p>	<p>This order was first promulgated in 1945 under the Defence of India Rules. After the lapse of these rules a revised order was issued in 1948 under the Essential Supplies (Temporary Powers) Act, 1946. After the Act of 1946 was replaced by the Essential Commodities Act, 1955, another revised FPO was issued in 1955. In early 1949, the Central Government took a decision to decentralise and</p>		

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transfer the work relating to the enforcement of the FPO to the state governments. Since most of the states did not appoint suitably qualified food technologists for the implementation of the FPO, the All-India Food Preservers' Association approached the Government for recentralisation in order to bring about uniformity in the enforcement of the Order. Accordingly, the work was recentralised in 1952. The order provides for the compulsory licensing of the manufacturers of fruit products and conformation to the minimum standards in respect of quality, packing, marking and labelling, and the hygiene and sanitation of the manufacturing premises. The AMA is the statutory authority for the administration of the Fruit Products Order. The Order classifies the units manufacturing fruit and vegetable products into the following three categories on the basis of the value of their annual production or the annual capacity to manufacture products of that value:—

(1) large scale — exceeding Rs. 1 lakh;

(2) small scale — less than Rs. 1 lakh but more than Rs. 50,000;

(3) cottage scale — not exceeding Rs. 50,000.

The following functions are carried out by the Directorate:—

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. prescribing minimum standards of products and their revision from time to time; 2. examination of applications for the grant of Fruit Products Order licence and | <ol style="list-style-type: none"> 1. In the interest of uniformity minimum standards should appropriately be prescribed by the central agency. 2 to 6. These functions can be easily entrusted to the state agencies by delegations in so |
|--|--|

1	2	3	4
		renewal of licences after the expiry of the period of validity under clause 4 of the Fruit Products Order;	far as the small scale and cottage scale units with the manufacturing capacity up to Rs. 1 lakh are concerned.
		3. to collect licence fees as prescribed under the rules;	Licensing of large scale factories (over Rs. 1 lakh) should, for the present, continue with the central agency but licences should be advanced after obtaining the recommendation of the state government. The renewal of licences should be entirely left to the state agency. Rules should be amended accordingly but should give the power to the AMA to interfere in any case he considers necessary.
		4. organisation and administration of inspecting staff appointed in this behalf;	
		5. arrangements for the inspection of factories and the collection of samples from the manufacturers and retail shops;	
		6. investigation of cases relating to unauthorised manufacture of fruit products and non-observance of rules and regulations and prosecution of persons contravening the rules and regulations;	
		7. analysis of samples collected by the inspecting staff in the Central Food Technological Research Institute Laboratory, Mysore;	
		8. the Agricultural Marketing Adviser is also the certifying authority for the import of equipment and material required by the fruit product industry; and	7. The samples collected by the states, after delegating them the authority, can be sent to the Central Food Technological Research Institute, Mysore, for analysis and communication of the results direct to the state agency.
		9. for advising the Ministry on matters relating to administration of Fruit Products Order and development of the industry, a Fruit Products Advisory Committee	
			8. The AMA certifies the need for the import of equipment and material on the basis of recommendations made by the regional/sub-offices. This power of certification can be delegated to the state governments especially as the district authorities (as compared to the regional and sub-offices of the AMA) will be in a better position to recommend the quota that could be allotted to the firms concerned.
			9. This function is in the nature of co-ordination and may be retained with the centre. The fruit products industry has increasingly become an export and defence oriented industry

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		has been constituted under the Chairmanship of the Agricultural Marketing Adviser.	and 30% of its production is utilised by the Defence and about 10 to 15% of the production is now being exported, but the decentralisation proposed should not affect this orientation, particularly as the certification for the import of equipment will be retained by the AMA.
		The officers and the staff are being paid by the Department of Food but are under the administrative control of the AMA.	
9 Cold Storage Order, 1964 (CSO).		This order was promulgated under the Essential Commodities Act, 1955 for the development of the cold storage industry. The function relating to granting of licences for cold storages falls in the list of functions to be performed by the Department of Food. It is handled by the AMA because he has been declared a Licensing Officer under the CSO, 1964. The officers and the staff are being paid by the Department of Food but are under the administrative control of the AMA. The AMA's organisation conducts surveys about the availability of raw materials for storage and assists in running the cold storage under proper refrigeratory conditions. It also collects necessary statistics of production and export of fruit products, storage of various commodities in cold storages and related matters. It is responsible for preparing plans for the development of the cold storage industry. The AMA's organisation further carries out inspection of cold storages with a view to ensuring that the provisions of the CSO are fully complied with. The AMA is also the certifying authority for the import of spare parts for cold storages.	Grant and renewal of licences and inspection : These functions can be handled by the state governments without any difficulty. They may accordingly be decentralised.
			Surveys regarding availability of raw materials : This is preliminary to the granting of a licence and has, therefore, to be done by the state agency.
			Collection of statistics of production and export : While statistics in respect of a particular region will be the responsibility of the state concerned, co-ordination on an all-India basis will obviously have to be done by the central agency.
			Plans for development : The national plan and overall guide-lines will be the centre's responsibility while the state plans will be the responsibility of the state.
			Import of spare parts : Not much of imported machinery is necessary for setting up a cold storage and there are cold storages set up with 100% indigenous parts duly licensed by the AMA. The state government/district authorities will be in a better position to certify the

Annexure III—concl'd.

1	2	3	4
			needs for the import of any machinery, if at all needed and as such can easily handle the matter. This function may accordingly be decentralised.
10 Chemists employed by ghee packers.	The chemists employed in the ghee laboratories are required to possess certain qualifications and experience and need to be approved by the AMA. It has been made obligatory that the chemists attached to the packers owning non-government laboratories will be Central Government employees working under the administrative control of the Agricultural Marketing Adviser but paid for by the packers. However, wherever the state governments have set up their own laboratories the chemists employed are state government employees and at such centres it has been made obligatory that the packers work through these laboratories.	As the chemists attached to the ghee laboratories owned by non-government packers are Central Government servants some uniformity can be said to exist in regard to their qualifications, appointments, service conditions, etc. If these chemists are placed under the control of the state governments and the appointments are also approved by the latter, there may be uniformity of standards and procedure throughout a particular state irrespective of whether a laboratory belongs to a private packer or the state government. It is, therefore, considered that chemists attached to packers may be transferred to the state governments' control.	

Financial provisions for five years based on the Budget estimates for 1966-67

S. No.	Name of the scheme/programme	Provision*	Value to be decentralised	Value to be retained
			(Rs. in lakhs)	
1	Training	8.22	5.48	2.74
2	Grading for consumers	32.20	32.20	..
3	Fruit Products Order, 1955	21.10	14.07	7.03
4	Cold Storage Order	5.95	5.95	..
5	Quality control—panel of chemists for ghee laboratories	13.40	13.40	..
	Total ..	80.87	71.10	9.77

*Includes non-plan expenditure based on the budget for 1965-66.

N.B.—1. There is no separate provision for other items discussed in the above list.

2. As the break up of some of the individual schemes is not available, the figures are approximate, meant to give only a rough and very broad indication.

Annexure IV
(See paragraph 5.1)

Directorate of Marketing and Inspection

Functions proposed to be retained at the central level

S. No.	Scheme/Function	Brief description	Remarks
1	2	3	4
I.	<i>Providing initiative and leadership to the states and serving as a clearing house of information</i>		
	Formulation of grade standards.	The Directorate of Marketing and Inspection has drawn up grade standards in respect of 90 agricultural commodities. Standards for adoption by the trade are prescribed by: (1) the Ministry of Food, Agriculture, Community Development and Co-operation under the Agricultural Produce (Grading and Marking) Act, 1937; (2) the Indian Standards Institution; and (3) the Ministry of Health under the Prevention of Food Adulteration Act. The standards prescribed by the last named are the minimum standards and are mandatory. The grade standards prepared by (1) and (2) have initially to conform to the mandatory standards prescribed under the Prevention of Food Adulteration Rules. Agricultural and Food Products Division of the ISI is concerned with the drawing up of standards for certain agricultural and live-stock commodities. Standards are also prescribed under the Agricultural Produce (Grading and Marking) Act for some of these commodities.	The grade specifications are drawn up on the basis of the results of analysis of a number of samples collected from different areas at different periods of the year. The nature of work is such that it can be done only by a central organisation.

1	2	3	4
Enactment of the Agricultural Produce (Grading and Marking) Act, 1937.	The marketing surveys carried out in the earlier years clearly showed how the absence of any quality standards and the presence of various malpractices in the trade contributed to a lack of confidence between the buyers and the sellers and to huge losses in foreign exchange suffered due to low prices obtained for export of sub-standard goods and due to shipment of useless material. The first and the most important item of work was, therefore, standardisation of agricultural commodities and organisation of grading service. This was done by passing the Agricultural Produce (Grading and Marking) Act, 1937. The AMA is the statutory authority for administration of the Act. Amendments to the Act are also to be suggested by him.	This is a function relating to initiative and leadership and should, therefore, be dealt with by the centre.	
Standardisation of contract terms.	In inter-state and international trade deals generally take place on the basis of some negotiated contracts between sellers and buyers, the terms and conditions of purchase and sale being specified in writing. There is a wide variation between local quality, standards and contract terms in vogue in terminal markets, with a baneful effect on healthy transactions. In order to eliminate these variations and establish a uniform and rational system for the negotiation of contracts, the Directorate undertakes formulation of model standard contract terms. Preparation of standard contract terms involves preliminary enquiries and collection of contract forms in vogue. Before the terms are finalised, these are		

1	2	3	4
		discussed with the trade. These terms benefit the traders in general.	
Standardisation of weights and measures.		Prior to the decision to introduce the metric system of weights and measures in the country, the subject of standardisation of weights and measures was being dealt with by the Directorate. After the transfer of the subject to the Ministry of Commerce and Industry, the Directorate is actively associated with that Ministry and has been rendering advice with regard to fixation of units of quotation, packaging, etc., and introduction of metric system in the commodity markets.	
Marketing extension.		The Directorate has set up an Extension Cell. The primary aim of this is to enlighten the producer seller and advise him on the proper methods of preparation for the market, grading, storing, packaging, handling and transportation. These improvements are designed to improve the quality of the produce as also to eliminate wastage and secure better returns to the growers. The Directorate is to provide necessary publicity materials to the state marketing organisations who will make use of these materials as they are, or make certain modifications to suit local requirements. The Extension Wing of the Directorate also arranges and conducts "Communication Workshops" for imparting training to the state marketing staff in the	Since the Extension Wing at the centre was created only a few years back and similar set-ups have not sprung up in all states so far and as the publicity of the activity of the Wing is very vital at all levels it is desirable to retain this work with the central agency.

1	2	3	4
		ways and means of carrying to the growers the latest information and the results of research on marketing.	
	Market surveys.	The Directorate of Marketing and Inspection brings out surveys and inspection reports in respect of commodities which are of all-India importance and/or are important from the point of view of export trade. Surveys for all commodities which are of local importance are undertaken by the state marketing departments. The state marketing departments are free to publish their own survey reports while the Directorate brings out marketing survey reports depicting integrated all-India or inter-state picture.	The Directorate is conducting surveys of an all-India importance and may continue to do so.
	II. <i>Undertaking responsibility for drawing up the national plan for the development of activities in close liaison with the states.</i>	The Agricultural Marketing Adviser is a member of the Working Group for the formulation of the Fourth Five Year Plan proposals in agricultural marketing.	The drawing up of the national plan has obviously to be a central function.
	III. <i>Undertaking research at the national level.</i>		
	Market research.	A separate market research cell was created in the Directorate in 1962. Among the various objectives of importance dealt with by the research cell are periodical revision of market reports already published, undertaking of new surveys relating to commodities not yet covered, revision of key indicators and investigations into specific aspects such as market trends, shifts in marketing practices, consumption pattern and consumer preferences, costs	At present the research of national importance is being conducted by the AMA for which he has got a separate cell. The work may continue to be handled by him.

1	2	3	4
		<p>and margins, estimation of marketable surpluses, causes of shrinkage in market arrivals, and problems of transportation, etc. The research cell also undertook a special study on the price spread of cotton for which data were being collected on a continuous basis from assembling and consuming centres selected for the purpose. A similar study on the price spread of raw seed and mustardseed was also taken up towards the end of 1964-65. The cell also prepared during 1963-64 special reports on the marketing of cane jaggery and on market potential of Goa territories.</p>	
	<p>IV. Undertaking training programme of a foundational nature.</p>	<p>Training of superior marketing personnel—one year training course for supervisory personnel of the state marketing departments.</p>	<p>This course was introduced in 1956 and training is imparted at Nagpur. The course covers both theoretical and practical aspects of marketing such as production, demand, utilisation, price trends and authorisation, market practices and functionaries, storage, transport, finance, grading and standardisation, price spreads and co-operative marketing. In addition to normal lectures, the trainees are given a fortnightly course in statistics which includes sampling techniques and reproduction of statistical data. The practical training includes visits to local markets as well as to other important markets and grading centres in the country. The trainees also undertake a special survey on specific problems in some selected areas and prepare</p>

The training seems to be of a foundational nature and may be handled at the central level.

1	2	3	4
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reports thereon. The session commences on the 1st of July every year and ends on the 30th of June of the following year. The candidates are sponsored by the state governments and are expected to hold a degree in economics or commerce or agriculture and should be below 45 years of age with at least five years' service in the marketing department. Since 1958, a provision has been made for imparting training to five private candidates every year. All the trainees admitted to the course receive a stipend of Rs. 75 per mensem.

A committee was appointed by the Ministry of Food, Agriculture, Community Development and Co-operation for examining the existing syllabus of the one year training course in the light of the recommendations made in the meeting of the state agricultural marketing officers held at Nagpur in April, 1964. The committee made the following recommendations:—

- (1) the course should initially provide specialised training for (i) marketing of agricultural commodities (ii) marketing of live-stock products (iii) market intelligence (iv) group discussions, seminars, workshop discussions, etc;
 - (2) the successful candidate should be awarded a diploma instead of a certificate;
 - (3) the existing vacation of 15 days during the mid-term having been abolished, the course should run from 1st of July to 31st of May instead of July to June, thereby
-

1	2	3	4
		giving a gap between one course and the next. There should be no vacation;	
		(4) no arrangements at present exist for the training of the field staff who form the base. The Central Government should, therefore, provide facilities for training of field staff at the state level and the state should receive financial assistance in this regard from the centre; and	
		(5) to encourage some of the candidates to take up marketing problems as subjects for theses, the Central Government should consider the grant of some fellowships every year.	
		All the above recommendations have been accepted by the Government. The Directorate of Marketing and Inspection are taking up the question of recognising the diploma and the introduction of fellowships with the Ministry of Education. They are also preparing details of a scheme for introducing training to field staff in all the states.	
V. <i>Taking the initiative, in a limited way, in evaluating programmes with a view to locating problems and taking remedial measures on an overall basis.</i>		No systematic functions of the nature are performed by the Directorate. There is no cell for the review of state plan schemes either in the Directorate or in the Ministry.	This function should be performed by the Directorate in respect of state plan schemes in an effective way.
VI. <i>Providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guidelines.</i>		Periodically at an interval of one or two years, a meeting of state marketing officers is held at headquarters where various problems are discussed.	This function should continue to be performed by the centre. In addition to this the regional officers should have frequent contacts with the officers of the states in the region for exchange of ideas and for locating bottlenecks and gaps etc.

1	2	3	4
<p>VII. <i>Substantive work relating to the implementation of the Agricultural Produce (Grading and Marking) Act, 1937.</i></p>			
<p>Internal quality control.</p>	<p>This comprises</p> <ul style="list-style-type: none"> (i) marketing development work; (ii) institutional and other development activities, e.g., regulation of markets, standardisation of contract terms and standardisation of weights and measures; (iii) examination of proposals for covering new commodities under the Agricultural Produce (Grading and Marking) Act, 1937; (iv) drawing up specifications and drafting of the rules consequent on (iii) above; consideration of proposals for amending rules and specifications later in the light of the experience gained; (v) preparation and issue of necessary instructions relating to the grading of different kinds of produce for the guidance of authorised packers, state marketing officers, graders, chemists etc.; (vi) authorising officers of the central and state governments to inspect graded produce; and (vii) watching the progress of grading schemes in general and penalising the packer or grading chemist concerned etc., for not following the instructions properly or for 		
			<p>These are substantive functions and may continue to be handled by the central agency.</p>

1	2	3	4
		unsatisfactory work, by suspending or cancelling the certificate of authorisation or disapproval of the chemist.	
Export quality control	Apart from the activities involved in the internal quality control work, this involves the following additional functions:	These are substantive functions and may continue to be handled by the central agency.	
	(i) organisation and administration of special inspectorate staff to see that the grading is done and exports take place exactly in accordance with the AGMARK standards and that exports are not hindered or delayed in any way;		
	(ii) setting up of laboratories required for the purpose;		
	(iii) preparation and maintenance of standard AGMARK samples and seasonal despatch of such standard samples to India Government Trade Commissioners;		
	(iv) calling for and examining reports from foreign countries in respect of commodities shipped on the basis of AGMARK standards; and		
	(v) exploring new markets on the basis of AGMARK standards.		
Laboratories	As already stated, for determining the purity and quality as also for exercising effective quality control of certain commodities, laboratory facilities are essential. Further, to ensure that analysis of test and check samples is taken up expeditiously, it was decided to set up eight regional laboratories in different parts of the country	The functions entrusted to the Central Agmark Laboratory justify its continuance at the central level. The number of regional laboratories is also very small and the Wool Testing Houses at Bombay and Jamnagar are the only government laboratories of their kind. All these should, therefore, continue to remain under the central control.	

1	2	3	4
		<p>and one Central Agmark Laboratory at Nagpur. Out of the 8 regional laboratories, seven have already been set up, one each at Cochin, Kanpur, Madras, Guntur, Rajkot, Bombay and Calcutta and the eighth laboratory is being set up near Delhi.</p>	<p>The state governments can send samples to these laboratories for analysis and communication of results direct to the state agencies, including those in respect of ghee.</p>
		<p>The Central Agmark Laboratory has to conduct research for finding out simpler and quicker methods of analysis or to solve other problems faced and referred to by the trade. It has also to devise suitable methods for detection of possible adulterants in commodities taken up for Agmarking. It also exercises supervision over the work of the regional Agmark laboratories. The regional Agmark laboratories, on the other hand, have to undertake analysis to test the check samples drawn by the central and state marketing staff from the commodities graded under the AGMARK. These laboratories have also to undertake analysis of samples that may be collected from different parts of the country for drawing up of grade standards.</p>	
		<p>It may also be mentioned that under the Prevention of Food Adulteration Act, it has been decided by the Ministry of Health, Government of India, that ghee in certain areas which does not conform to the all-India standards, because of certain biological factors like the breed of the cattle or the feeds being given to the cattle, can move from one state to another only if it is graded under the AGMARK. Such ghee is produced in the Saurashtra region of Gujarat, and parts of Mysore, Madras, Maharashtra,</p>	

1	2	3	4
	<p>West Bengal and Andhra Pradesh. It becomes, therefore, the responsibility of the Directorate of Marketing and Inspection that such ghee conforms to the prescribed standards and for the efficient discharge of the responsibilities and testing the check samples the maintenance of adequate laboratory facilities is essential.</p>		
Grading for export.	<p>Under the Customs Act, 1962, a certificate of grading has to be produced before the customs authorities before any commodity listed in the Agricultural Produce (Grading and Marking) Act, 1937, is exported. At present, 33 agricultural commodities, viz., sann hemp, tobacco, bristles, wool, lemon-grass oil, sandalwood oil, goat hair, bidi tobacco, palmarosa oil, myrobalans, black pepper, cardamoms, chillies, vetiver oil, walnuts, groundnut oil, castor oil, linseed oil, cottonseed oil (refined), safflower oil (refined), animal casings, turmeric, ginger, tendu leaves, onions, garlic, table potatoes, green gram, black gram, red gram, lentils, moth and Bengal gram are being graded compulsorily for export under AGMARK.</p>		
Special facilities for grading of certain commodities.	<p>Special facilities are proposed to be extended for grading lint, kapas, fruits and vegetables. The grading units for kapas and fruits and vegetables will be operated by state governments with central subsidy while those for lint will be operated by the Directorate of Marketing [and Inspection.</p>		
	<p>The AMA is of the opinion that, in principle, there is no objection to delegating the power to the officials of the state governments but the only drawback may be that the state governments have no special field staff for testing the quality of produce intended for export. There is a general fear that exports being very sensitive, the state governments may not perhaps be saddled with this responsibility. The chief merit of the grading for export by the central agency is that it helps sustain the confidence of the foreign buyer in regard to the quality of the goods imported by him. Moreover, there is no distinct advantage in decentralising this function to the state agency. In view of what is stated above, it is considered that the grading for exports may continue to be handled by the central agency.</p>		

Annexure IV—concl'd.

Financial provision for five years based on the budget for 1966-67

S. No.	Name of scheme/programme	*Provision	To be retained	To be decentralised
<i>(Rs. in Lakhs)</i>				
1	Grading for export	83·10	83·10	..
2	Laboratories	5·00	5·00	..
3	Lint and kapas grading units	66·50	66·50	..
4	Surveys and drawing up of standards	3·12	3·12	..
5	Continuous inspection service	4·20	4·20	..
	Total	161·92	161·92	..
	Central portion from schemes to be transferred (cf. Annexure III) .. .. .	..	9·77	..
	GRAND TOTAL	161·92	171·69	..

*Includes non-plan expenditure based on the budget for 1965-66.

N.B. — 1. There is no separate provision for other items discussed in the above list.

2. The provision excludes the amount of Rs. 37·92 lakhs intended for administration of headquarters.

3. As the break-up of some of the individual schemes is not available, the figures are approximate, meant to give only a rough and very broad indication.

Annexure V
[See paragraph 4(ii)(a)]

Agricultural Marketing
Central Acts for Marketing Standards

S. No.	Name of the Act/ Rule	Administering authority	Extent of authority	Implementation
1	2	3	4	5
1	Agricultural Produce (Grading and Marking) Act, 1937 (Use of its standards called Agmark standards, is "permissive").	Directorate of Marketing and Inspection, Ministry of Food, Agriculture, Community Development and Co-operation.	Covers all agricultural commodities and processed products such as ghee, butter and atta as defined in the Schedule of the Act.	Implementation for internal use is by individual states under the guidance of the Directorate of Marketing and Inspection except agricultural commodities (ghee, vegetable oils, honey and butter) requiring laboratory analysis. The latter are implemented by the Directorate of Marketing and Inspection. These standards in general are permissive rather than compulsory. They are, however, compulsory for certain agricultural commodities which, under the Sea Customs Act of 1878, and/or the Indian Customs Act of 1962, are notified as being prohibited for export unless graded in accordance with AGMARK standard (but <i>only</i> when offered for export). This export grading is performed by the Directorate of Marketing and Inspection.

Annexure V—contd.

1	2	3	4	5
2	Indian Standards Institution (Certification Marks) Act, 1952: Rules, 1955: Regulations, 1955. (Use of its standards is "permissive").	Ministry of Industry	Covers all articles—raw, semi-processed and processed—and agricultural produce as well.	This Act does not affect the operation of the Agricultural Produce (Grading and Marking) Act. Hence agricultural produce covered by AGMARK standards cannot be marked (graded) under the Indian Standards Institution.
3	Export (Quality Control and Inspection) Act, 1963. (Use of its standards is "compulsory" upon notification).	Ministry of International Trade.	Has authority to establish its own standards for export trade. It is understood, however, that existing AGMARK and ISI standards will be used.	This Act empowers the Central Government to recognise any agency for implementation of standards. It is understood that the Directorate of Marketing and Inspection will continue to play the same role in implementing AGMARK standards for exports.
4	Prevention of Food Adulteration Rules, 1955. (Use of its standards is "compulsory").	Ministry of Health	Has authority to fix (for Indian internal use) minimum requirements or tolerances for any food and to prosecute for adulteration and sale of products not conforming to the defined minimum requirements.	Through state governments and local bodies.

Study VI

SOCIAL WELFARE

INTRODUCTION AND CONSTITUTIONAL POSITION

1.1 The subject 'social welfare' does not figure in any of the three lists in the Seventh Schedule to the Constitution. By and large, the activities pursued by the Department of Social Welfare are those which individually fall within the State List. This should not be disputed on the plea that Entry 20 in List III in the Seventh Schedule to the Constitution relating to 'economic and social planning' may be interpreted to cover all the activities pursued by both the centre and the states in the field of social welfare. The interpretation of this Entry has to be restrictive, as pointed out in Chapter XI in Volume I, and not so wide as to include the foundation of specific institutions, the regulation of their activities and the grant of aid to them.

1.2 The contention that as 'social welfare' does not figure in any of the three lists it is covered by the provision regarding 'residuary powers' and is thus the responsibility of the Central Government, seems to be erroneous for most of the activities falling within the ambit of 'social welfare' are covered either individually or collectively by Entries 4, 6, 9 and 11 of List II in the Seventh Schedule. It must, therefore, be concluded that a large number of activities at present classed under the particular head 'social welfare' fall in the State List.

2.1 In June 1964, a separate Department of Social Security was created by collecting several subjects handled by different ministries, *viz.*, the Ministries of Home Affairs, Health, Education, Labour and Employment and Industry. In 1966, the Department was renamed as the Department of Social Welfare. An organisation chart of the Department of Social Welfare is at Annexure I.

2.2 The subjects which have been given to the Department fall broadly under the following heads:—

- (a) welfare of the backward classes (*i.e.* Scheduled Castes and Scheduled Tribes);
- (b) general social welfare including family and child welfare, education of the handicapped, social defence services and the Central Social Welfare Board;
- (c) co-ordination of the programme of the UNICEF implemented through various departments and ministries of the Government of India, *e.g.*, Ministry of

Education, Ministry of Health, Department of Community Development and Department of Social Welfare; and

(d) social security measures in general.

The present study does not embrace the entire Department. It excludes the first item "welfare of the backward classes" as also those parts of items (b) and (d) as are dealt with by the Directorate of Social Welfare and Rehabilitation. This Directorate has been left out as it is proposed to be transferred from the Department to the Delhi Administration. This study thus ranges over the field covered by the Department pertaining to items (b), (c) and (d).

The Department of Social Welfare besides undertaking direct work on social welfare gives grants to certain voluntary organisations. In addition, it has created a semi-autonomous body in the Central Social Welfare Board through which a large number of schemes are implemented and a number of grants channelised. Obviously, in analysing the role of central ministries in the field of state subjects the functions of such organisations also have to be taken account of. Accordingly, the first part of this study deals with the Department and the second with the Board.

PART I— DEPARTMENT OF SOCIAL WELFARE

3.1 The functions performed by the Department can broadly be categorised as under:—

1. providing initiative and leadership to the states and serving as a clearing house of information;
2. undertaking responsibility for drawing up the national plan for the development of welfare activities in close liaison with the states;
3. undertaking research at the national level;
4. undertaking training programme of a foundational nature;
5. taking the initiative in a limited way in evaluating programmes with a view to locating problems and taking remedial measures on an overall basis;
6. providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guidelines;
7. activities relating to the statutory/constitutional obligations/other functions undertaken by the Central Government;

8. dealing with matters relating to the Union Territories;
9. dealing with matters relating to the United Nations/foreign countries/other foreign agencies;
10. dealing with matters relating to the release of foreign exchange;
11. Minister's Discretionary Fund;
12. dealing with matters relating to inter-state questions or matters affecting more than one state;
13. dealing with all India organisations;
14. administering certain central schemes;
15. administering certain centrally sponsored schemes;
16. undertaking activities relating to training other than training of trainers/foundational training; and
17. dealing with voluntary institutions not of an all-India character.

3.2 Activities mentioned at 1 to 6 above flow from the centre's role as leader, innovator and technical guide. The need for centralisation of the other functions has to be examined carefully. These are discussed below itemwise :—

- (7) statutory/constitutional obligations of the Central Government;
- (8) matters relating to the Union Territories;
- (9) matters relating to foreign agencies/foreign countries;
- (10) release of foreign exchange; and
- (11) Minister's Discretionary Fund.

All these should obviously be handled by a central agency.

- (12) matters relating to inter-state questions or matters affecting more than one state.

The Department recognises diplomas/degrees awarded by schools of social work. Since this pertains to formulation of a uniform national standard, it should remain a central function.

- (13) all-India voluntary organisations.

The Department gives grants to all-India voluntary organisations and the voluntary organisations situated in states. The all-India organisations include the Indian Council for Child Welfare, the Association for

Moral and Social Hygiene in India, the Tata Institute of Social Sciences, the All-India Crime Prevention Society, etc. Obviously, these organisations should be encouraged. Grants should not, however, be given to enable them to pass them on to the states as that is only another method by which the centre intrudes into the state field. The principle emerges that voluntary organisations may be assisted :

- (a) if they are national in character, and
- (b) for their establishments or for functions/schemes of a national character which are incapable of decentralisation to the states, and conform to the guidelines proposed for the retention of functions/schemes with the Department itself.

In such a context grants to voluntary organisations in the states will be decentralised.

(14) central schemes.

(i) social defence

The provision in the central sector is mostly for the Central Bureau of Correctional Services which is a subordinate office mainly concerned with the collection, collation and analysis of statistics and developing a uniform policy in the field of social defence and beggary. This involves all-India co-ordination and advisory functions which have obviously to be performed by the centre.

(ii) pre-vocational training scheme

The Department imparts training to the trainers in the regional pre-vocational training centres. This training is of a foundational nature and should, therefore, continue to be handled at the central level.

(iii) homes/infirmaries and outside doles for displaced persons from Pakistan

This is exclusively a non-plan scheme. The Department sanctions grants and loans to the state governments for maintenance and rehabilitation of unattached displaced women and old and infirm displaced persons lodged in homes and infirmaries located in different states. The homes/infirmaries are administered by the state governments but the centre meets the entire expenditure. Even sanctions for essential repairs are issued by the centre. For administrative convenience and speedier work greater financial delegations are required for these

schemes which are implemented by the states on an agency basis.

The above discussion leads one to the conclusion that the centre should handle such schemes/centres which are genuinely regional or national in character in the sense that they necessarily cater to the population of the country as a whole or of many states.

(iv) There are a few more central schemes (*items 14 to 16 of Annexure II*) pertaining to the rehabilitation of the handicapped. Primarily these schemes have intra-state character and they can easily be run by the states. There is no reason, therefore, why the centre should run these schemes.

(15) centrally sponsored schemes.

These schemes pertain to—

- (i) pre-vocational training;
- (ii) social and moral hygiene and after care services;
- (iii) rehabilitation of the handicapped; and
- (iv) welfare of non-student youth.

None of the schemes in this list conforms to the criteria originally laid down by the Planning Commission for centrally sponsored schemes, that

- (i) they should relate to demonstration, pilot projects, surveys and research;
- (ii) they should have a regional or inter-state character;
- (iii) they should require lump sum provisions to be made, until they can be broken down territorially; and
- (iv) they should have an overall significance from the all-India angle.

A detailed discussion of these schemes is available at *Annexure II (items 3, 6 to 13, 19 and 26 to 36)*.

These schemes are being sponsored by the centre on the ground that the state boards do not have sufficient technical know-how or funds. These are not valid reasons for the continuance of these schemes as centrally sponsored schemes. Regarding technical know-how, they are in any case being executed by the states. As for funds, the question is one of priorities, and the priorities settled must govern the allocation of funds. These priorities should be settled after taking an overall view of the state plan as a whole. These schemes are not of an all-India or regional character in the sense that they do not cater to the population of the country as a whole or of many states. It was re-

commended by the Special Committee of the National Development Council in its meeting held on 9-12-1966 that all the schemes of the Social Welfare Board originally included in the Fourth Plan as centrally sponsored may be transferred to the state plans over and above the state plan ceiling with the central assistance tied. It has now been decided to treat these schemes as centrally sponsored. Thus, the Planning Body had rightly accepted the principle that complete control of these schemes should vest in the states. The fear of the Social Welfare Department of the possible neglect of these programmes consequent on the transfer of these schemes to the states seems to be the main reason for the reversal of the recommendation of the Committee of the National Development Council. In Volume I it has been recommended that there should not be any centrally sponsored schemes. Besides the reasons given there, the object of central sponsoring, even with 100 per cent aid, can be defeated, if at the end of five years a state refuses to continue the schemes. And in many of the centrally sponsored schemes included in the programmes of the Department and the Board, this choice will be there with the states even at the end of the plan period. Quite apart from that there will appear to be no necessity for foisting the centre's judgement on the states regarding the necessity of any of the centrally sponsored schemes in this sector. These schemes should, therefore, be decentralised completely. If, on an overall view of the entire development sector, any social welfare schemes are considered to be of overriding priority, the central assistance for them can be tied.

(16) training.

The Department finances Balsevika training programme under which Balsevikas are trained by the Child Welfare Councils in most states. The training programme is implemented by the state branches of the Council. There is no reason why the state councils cannot run the training programme after getting necessary assistance from the governments of the states in which they are located. Here again, priorities provided in the programmes have to be determined in relation to the state plan as a whole. Central involvement is justified only when administratively inevitable. A detailed discussion is at *Annexure II (Item 22)*.

(17) voluntary institutions not of an all-India character.

The Department sanctions grants to the voluntary organisations at the state level to encourage them to undertake social welfare activities. It also scrutinises their schemes, budgets,

accounts, annual reports, etc., to ensure that the grants are sanctioned according to genuine requirements and are effectively utilised. This work need not be performed by a central agency as these organisations are not of an all-India or regional character. A fuller discussion is at *Annexure II (Item 37)*.

**FUNCTIONS
PROPOSED
FOR DE-
CENTRA-
LISATION
AND RE-
TENTION—
FINANCIAL
IMPLICA-
TIONS**

4. It will be seen from the foregoing discussion that some of the schemes and functions at present undertaken by the Department ought to be decentralised. A fuller idea of the activities proposed to be transferred to the states may be had from *Annexure II*, the functions proposed for retention with the centre being listed and elaborated upon in *Annexure III*. If these proposals are accepted schemes worth Rs. 11.16 crores, on a rough estimate, will be decentralised and those worth Rs. 15.24 crores retained. (See *Annexures IV-A and IV-B*).

**EXTENT
TO WHICH
CENTRAL
FUNCTIONS
ARE
PERFORM-
ED**

5.1 The analysis so far indicates what functions the centre has been performing which should, in fact, have been performed by the states and should be decentralised. It would be of interest to note how effectively it has been able to discharge some of the basic functions that flow from its essential role as leader, innovator, technical guide, disseminator of information, planner and evaluator. In the performance of these functions, it will be seen, varying degrees of leeway need to be made up.

5.2 In the discharge of its clearing house functions the Central Bureau of Correctional Services collects, collates and analyses the statistics in the field of social defence, e.g., prisons, borstals, probation services, parole, after care, follow up and operation of the Suppression of Immoral Traffic in Women Act, protective homes, institutions for vagrants, operation of the Children Act, institutions for children, etc., and these statistics are brought out in the form of an annual report. The Bureau has been bringing out a quarterly journal through which it seeks to provide information regarding current developments in the field of corrections to correctional workers and the state governments do not bring out such journals.

While some information is disseminated in discussions at the time of framing five year and annual plans, and also during tours, there is no systematic method by which the details and data about a good job done in one state are communicated to other states for adoption. For example, details about the schemes run by some state governments for the grant of scholarships to the handicapped are not available in the Department. There is no cell for systematic reporting and feedback of information from the states. There should be a cell undertaking the follow-

ing jobs: (a) systematic reporting and feedback from the states (b) regular compilation and dissemination of broad ideas of good performance from one state to another (c) collection, collation and analysis of the facts about schemes and their progress (d) effective communication between the centre and the states and (e) discovering the gaps available at the state level and suggesting methods to bridge the gaps, etc.

5.3 For the drawing up of the national plan there is a Planning Officer assisted by a part-time assistant who provides the secretariat for this purpose. A Working Group on Social Welfare is constituted for the formulation of annual and five year plans. These arrangements appear inadequate. The ingredients of good planning demand that (i) planning should be based on facts (ii) there should be a good system of drawing projections based on proper statistics (iii) targets should be set by experts (iv) there should be representation from the Ministry of Finance and (v) there should be a system of options which will enable the planning cell to develop different models. These ingredients in planning are largely absent and the setting up of a good planning cell is necessary.

5.4 In the field of research at the national level, it may be stated that while routine functions like the preparation of guide books on subjects of social defence, collection of information regarding research projects in the country undertaken by the universities and voluntary organisations, collection of books and publications and preparation of bibliography and digest are performed, no research of national importance is being undertaken. There is, however, a provision of Rs. 2 crores in the Fourth Five Year Plan for research, training, etc.

5.5 Similarly, while the training of trainers is performed in the regional pre-vocational training centres and there is also a teachers' training centre for the blind in Delhi, not enough is being done in this field. The Central Bureau of Correctional Services has not undertaken any regular programme of staff training so far. The officers at the state level generally have no background of social welfare and this orientation is not provided by the Central Department either.

5.6 Work in regard to evaluation seems to have received little attention. There is no evaluation unit. The Planning Commission asks the states to furnish information in elaborate pro-formae about the progress of schemes for use in the plan discussions. A copy of the information sent by the states is received in the Department also. No progress reports are received from

the states in regard to state plan schemes except at the time of annual plan discussions and these too, are incomplete. Even the information about the utilisation of grants and the progress of expenditure is not furnished by the state governments in regard to the state plan schemes, and often is not asked for by the Department. This work needs to be taken up more strenuously.

5.7 Despite these gaps in its functioning the Department provides initiative and leadership in various directions to the states. Thus it evolves model schemes and lays down general policy and guidelines. It further evolves and runs schemes at the central level on model lines. These prove a source of inspiration to the state governments who have drawn up similar schemes in the state sector in some cases. The exchange of visits of officers, annual plan discussions and the occasions of the formulation of five year plans provide meeting grounds for the exchange of ideas. The Central Bureau of Correctional Services also examines the Acts and Rules proposed to be framed by the state governments in the field of social defence.

CONCLU-
SION

5.8 It would thus appear that there is considerable scope for decentralising many of the existing functions of the Department and also for the Department to take initiative in certain fields for which the responsibility properly devolves on the centre.

PART II—CENTRAL SOCIAL WELFARE BOARD

INTRODUC-
TORY

6.1 The Central Social Welfare Board (CSWB) was set up under a resolution by the Government of India, in August, 1953. The following functions were given to the Board:

- (a) to cause a survey to be made of the needs and requirements of the social welfare organisations;
- (b) to evaluate the programmes and projects of the aided agencies;
- (c) to co-ordinate assistance extended to social welfare activities by the various ministries in the Central and state governments; and
- (d) to promote the setting up of social welfare organisations on a voluntary basis in places where no such organisations exist.

PRESENT
FUNCTIONS

6.2 The CSWB is assisted in its activities by the State Social Welfare Advisory Boards created by a resolution of the respective state governments. The applications for grants are received by the CSWB through the State Social Welfare Boards. Annual grants for voluntary organisations are disbursed through the

state boards and all other grants are paid direct to the institutions by the CSWB. At the centre, apart from the Secretary, there are administrative and technical officers dealing with the various activities of the Board. The administrative expenses of the state boards are shared equally by the CSWB and the state governments.

6.3 The functions performed by the Central Board are similar to those performed by the Department of Social Welfare (see paragraph 3.1) except that the Board does not undertake training programmes of a foundational nature. It is not concerned with the statutory/constitutional obligations of the Central Government including the administration of these subjects in the Union Territories. The Board does not operate the Minister's Discretionary Fund and also does not deal with matters relating to inter-state questions.

ANALYSIS OF THE FUNCTIONS

7.1 The functions being performed by the Central Board at present are discussed below:—

(i) centrally sponsored schemes

A list of these schemes may be seen in *Annexure V (Items 1 to 10)*. The observations made in paragraph 3.2 for schemes of the same category in the case of the Department apply here also. These schemes too do not conform to the criteria laid down and there is no reason why they should be sponsored by the centre. Logically, therefore, the following schemes should be transferred to the states completely:—

- (1) welfare extension projects;
- (2) family and child welfare scheme;
- (3) family planning;
- (4) child welfare scheme and special child welfare programme;
- (5) welfare of jawan's family;
- (6) border areas programme;
- (7) socio-economic programme;
- (8) night shelters;
- (9) welfare of physically handicapped, old and infirm;
and
- (10) holiday homes.

(ii) training other than the training of a foundational nature

The Board sponsors training of Gramsevikas, Balsevikas, etc., and also sanctions grants for running condensed courses and training in crafts. This work is not of a foundational nature and should, therefore, be handled by the state boards themselves.

(iii) inspections about the progress of various schemes

Inspecting Officers attached to the Central Board go round inspecting the accounts and functioning of the voluntary organisations which receive grants from the Board. Apart from these Inspecting Officers, the Central Board has Inspectors and Welfare Officers who are stationed at the headquarters of the State Social Welfare Advisory Boards who keep in touch with the day to day activities of the various voluntary organisations. With the decentralisation contemplated in this study, these functions will have to be performed by the state boards, the centre's role being limited to only those schemes which are financed by them.

(iv) voluntary organisations not of an all-India character

The remarks given in paragraph 3.2 apply in this case also.

A fuller analysis of the functions that should be decentralised to the states may be seen at *Annexure V*. *Annexure VI* gives the overall position of the functions proposed to be retained at the central level.

The principle perhaps needs repetition in this context that, in activities belonging properly to the states' sphere, overall priorities should be determined, taking the state plan as a whole, and priorities determined by individual central ministries should not be forced on the states in a segmented fashion. When the planners determine priorities for the state plan as a whole they can tie central assistance to schemes considered of crucial importance.

FINANCIAL
IMPLICATIONS

7.2 If the analysis here is accepted as correct, schemes worth Rs. 15.50 crores will be decentralised (see *Annexure IV-B*).

EXTENT TO
WHICH
CENTRAL
FUNCTIONS
ARE
PERFORMED

8.1 The above discussion indicates what functions hitherto performed by the Board need to be decentralised. Now it would be of interest to note how effectively it has been able to discharge some of the basic functions that flow from its role as leader, innovator, technical guide, disseminator of information, planner and evaluator. There is apparently scope for improvement in the performance of some of them. The CSWB aids the exchange of ideas by acting as a clearing house of ideas and information. This is mainly attempted through the submission of annual progress reports by the state boards, annual conferences of the chairmen of the state boards, tours, issue of circulars and periodical statements, publication of journals, etc., and there are occasional instances of the good work done by one state board having been or proposed to be communicated by the Central

Board to other state boards. Nevertheless, there is no systematic method by which the information about a successful programme initiated in one state is being passed on to the other states for adoption as a regular feature. There is no separate set-up in the centre for the systematic reporting and feed-back of information from the states.

8.2 For drawing up the national plan, the CSWB is represented on the Working Group on Social Welfare and is actively associated with planning. The formulation of the plan schemes is based on the reports of the Inspectors and Welfare Officers attached to the state boards, opinions expressed by the chairmen of the state boards at the annual conferences and the views of the chairmen of the Project Implementation Committees who meet at the conferences of these Committees. Planning in the sense mentioned in paragraph 5.3 does not seem to be done, although that should be a major responsibility of the centre.

8.3 The Central Board is not carrying out any research at the national level except as a part of evaluation work. It, however, assists the universities and voluntary organisations in carrying out surveys in accordance with the approved programme.

8.4 The Central Board is not undertaking training programme of a foundational nature. There is, however, a proposal for training of trainers for various training centres as also the state welfare officers, at the schools of social work as a part of the family and child welfare project. A scheme of inservice training for the workers of the voluntary institutions at the schools of social work has also been approved.

8.5 The work of the evaluation of programmes is done by an evaluation unit in the Board. The evaluation of various programmes has also been carried out from time to time both by external agencies (*e.g.*, the Planning Commission and the UNICEF) as well as internal committees composed of officers appointed by the Board. The CSWB also receives annual progress reports from the states and inspection reports from the members of the state boards and the Inspectors and Welfare Officers. These reports are examined in the Board mainly to assess the achievement of physical targets and the progress of financial expenditure.

8.6 A meeting ground for the exchange of ideas is provided by the CSWB, through annual conferences of the chairmen of the state boards, regional conferences of the chairmen of the Project Implementation Committees, all-India conference of the chairmen of the national organisations and publications of jour-

nals, brochures and reports. Similar conferences are held at the state and district levels under the auspices of the state social welfare advisory boards. A representative from the Central Board attends such conferences. This has, however, not been very regular.

8.7 The Central Board has been taking considerable initiative and has been providing active leadership to the state boards and voluntary organisations by sponsoring a number of programmes which did not exist in the states and preparing detailed instructions for the efficient implementation of the schemes. The Board is also charged with the responsibility of promoting the setting up of social welfare organisations on a voluntary basis in places where no such organisations exist. Much of the initiative of the Board is, however, related to the direct handling of and direct involvement in schemes and activities which should be left altogether to the states.

ORGANISA-
TION AT
THE
CENTRAL
LEVEL

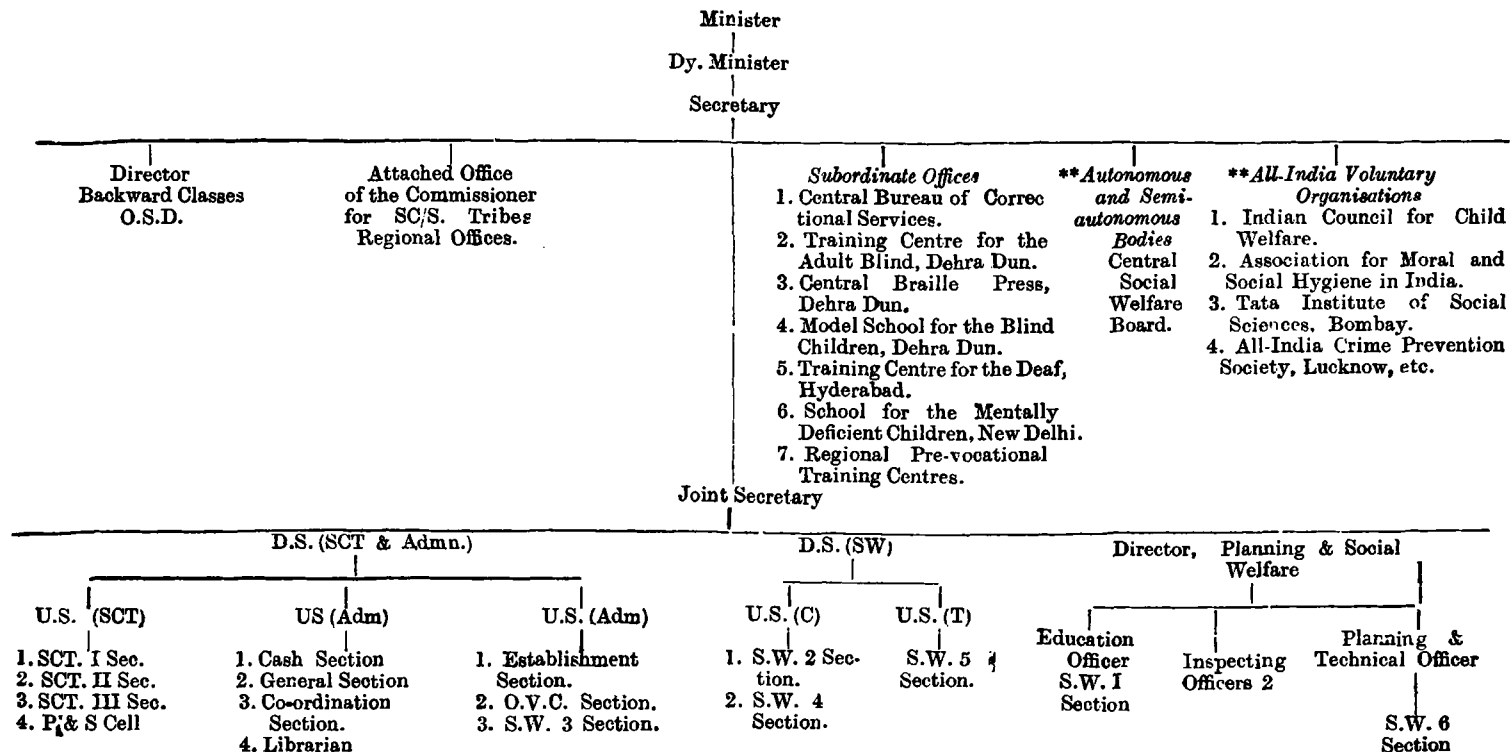
9. The recommendations contained in the preceding paragraphs, if accepted, may necessitate some changes in the organisational structure at the central level, but it will be for the Government to work them out and take appropriate decisions.

10. There is one last issue to which reference may be made. It has been pointed out at the start that social welfare comprises various activities most of them finding a mention in List II of the Seventh Schedule. It has also been found on an analysis that decentralisation is possible and desirable in most of them. It needs, however, to be considered whether the "welfare of the handicapped" should not be isolated and given specific recognition in the Concurrent List of subjects. This would seem to be desirable because a small population interspersed over the entire country is involved and decentralised expenditure is not always possible administratively. For another, the Central Government could morally be given a special responsibility in regard to them. Development of expertise and of appropriate facilities will not for a long time to come be possible at any except central points. List III of the Constitution recognises the responsibility of both the centre and the states for the welfare of mentally deficient children but this class would constitute only a small portion of the total number of the handicapped persons. As the "handicapped" may be considered among the weakest sections of society, in a sense more so than the sections so recognised by the Constitution, *e.g.*, the Scheduled Castes, there would seem to be a justification for providing for greater central involvement with them constitutionally by making their welfare and training a concurrent subject.

Department of Social Welfare

Annexure I
(See paragraph 2.1)

ORGANISATION CHART



** Represents link through grant-in-aid.

Annexure II
(See paragraphs 3.2 and 4)

Department of Social Welfare

Functions proposed to be transferred to the state agency

S. No.	Function/ Scheme	Brief description	Remarks
1	2	3	4
1	Family and Child Welfare Project.	This is a new scheme being introduced in all the states and the UNICEF will assist in the implementation of the scheme. This represents the reorganised welfare extension projects on a broader organisational basis and integrated programme content. 800 such projects are proposed during the Fourth Plan. An outlay of Rs. 13 crores has been provided in the draft out line of the Fourth Plan. State's share in the project will be 25 per cent. The programme has the welfare extension projects as its main basis. The new projects will be different from the old ones in some ways but the programme is primarily based on the work already done in the previous three plans for the welfare of rural women and children. It cannot, therefore, be said to be of a pilot nature.	A Committee of the NDC recommended that this should be transferred to the state sector but the Planning Commission has already decided to treat this as a centrally sponsored scheme. There should normally be no centrally sponsored scheme. Such schemes should be wholly transferred to the states and should be state schemes. If necessary central assistance for them can be tied (covered by Entries 6 and 11 of List II).
2	Maintenance and education of children of displaced persons from Pakistan.	The Department of Social Welfare places lump sum funds at the disposal of state governments who have been permitted to sanction the stipends to the children within the prescribed ceilings.	The state governments are already performing all functions as well as day to day work including grant of stipends within the prescribed ceilings. The only cases which come to the centre are in regard to the relaxation of age limits for the sanction of stipends to girls and some other cases not covered by the rules. Power to relax age limits up to two years can also be delegated

1	2	3	4
			to the states as also to make other relaxations to a specified extent (covered by Entry 27 of List III).
3 Beggary.	Apart from the enforcement of state acts for the prevention of beggary, the state governments set up institutions variously termed as beggar homes, poor houses or work centres for able-bodied beggars and get 50 per cent assistance from the Central Government. Model schemes are prepared by the Central Bureau of Correctional Services.	This is largely a state plan scheme. A small portion (Rs. 1 crore) has been allocated in the Fourth Plan in the centrally sponsored sector with a view to establish model homes on a pilot basis. Only one unit of each of the pilot schemes may be directly run by the central agency and the rest should be located in the states concerned with the central assistance earmarked or tied, if necessary.	
4 Prevention of crime and treatment of offenders and the Probation of Offenders Act, 1958.	This Act provides for the release of offenders on probation or after due admonition and for matters connected therewith. The state governments appoint Probation Officers for this work. The state governments get 50 per cent assistance from the Central Government. Model schemes are drawn up by the Central Bureau of Correctional Services.	No grants should be given from the centre. Only leadership should be provided (covered by Entry 4 of List II).	
5 The Children Act, 1960 and juvenile delinquency.	This is a central act which provides for the care, protection, maintenance, welfare, training, education and rehabilitation of neglected or delinquent children and for the trial of delinquent children in the Union Territories.	The Act is implemented by the state governments according to the provisions contained in their respective acts. This is a state plan scheme (covered by Entry 4 of List II).	
	All states (except four) have similar acts. Model schemes are prepared by the Central Bureau of Correctional Services and the state governments get 50 per cent assistance from the Central Government.		

1	2	3	4
6	Special employment exchanges for the handicapped.	These schemes for the handicapped are at present handled by the centre. 9 special employment exchanges have already been set up and their main task is to place the blind, the deaf and the orthopaedically handicapped persons. The special employment exchanges in elhi and Bombay are undertaking on an experimental basis the placement of persons with neurological or respiratory disorders. It is proposed to set up 25 additional exchanges during the Fourth Plan.	Although employment is a concurrent subject, no central law has been enacted to cover this item. In fact, this scheme has been made a centrally sponsored one. It might have been possible to consider this activity as a central activity as long as there were only 9 exchanges to cover the whole country. Now that it is proposed to add 25 more, this scheme will no longer have an experimental character. It should, therefore, be transferred to state governments and included in the state plans as has been recommended in the case of other centrally sponsored schemes.
7	Employment assistance to the physically handicapped persons.		
8	Integrated education of the blind.	This is a new scheme to be undertaken in the Fourth Plan and is yet to be formulated. This scheme envisages the placement of about 2,000 blind children in ordinary schools instead of the special residential schools which are very expensive.	This cannot be considered a research project falling in the central jurisdiction by virtue of Entries 65 and 66 of List I for the reason that this is a substantive activity proposed to be spread to a large number of schools all over the country.
9	Nursery schools for handicapped children.	This is a new scheme still under formulation and proposed to be taken up in the Fourth Plan. Further details are not available.	This is a centrally sponsored scheme. The state governments can handle this scheme under Entry 11 of List II.
10	Special schools for partially sighted children.	The Department proposes to set up a model school for partially sighted children as an integral part of the National Centres of the blind.	This is a centrally sponsored scheme. While the Government of India can set up a model school of this kind, the setting up of such schools in various states should be left to the state governments who can, no doubt, take guidance from and follow the results of experiments made in the model school. This is covered by Entry 11 of List II.

Annexure II—contd.

1	2	3	4
11	Special school for cerebral palsied children.	This is a new scheme to be taken up in the Fourth Plan period. Details are still to be worked out.	This is a centrally sponsored scheme and can be handled by the state governments under the cover of Entry 11 of List II.
12	Establishment of co-operative societies by the handicapped.	It is not always possible to place trained handicapped persons in the open market and it is, therefore, proposed to set up co-operative and sheltered workshops to enable the handicapped to do constructive work.	This is a centrally sponsored scheme. It does not involve any special techniques which only the Central Government can provide. The state governments should, therefore, be able to initiate this scheme. The Central Government can give guidelines where necessary.
13	Establishment of pilot rehabilitation centres.	This is a centrally sponsored scheme, to be undertaken during the Fourth Plan period. It is still under formulation and details are not available.	The Government of India may establish one or two pilot centres from which the state governments can take a cue for the establishment of such centres in their own states. The large scale setting up of these centres should be undertaken by the state governments.
14	Professional seminars.	Special education and rehabilitation are new professions and there have been many developments during the last decade or so. The exchange of ideas and the spread of new knowledge through well prepared literature is considered essential. This will be done by organising professional seminars, workshops and the production of professional literature.	This is a central scheme during the Fourth Five Year Plan. The work can be done both at the central and the state level, centre confining to the seminars of inter-state character.
15	Relief and assistance fund scheme for the handicapped.	An outlay of Rs. 4.50 crores has been earmarked for this scheme in the Fourth Plan but no scheme has so far been prepared for utilisation of this amount.	The implementation of this scheme should be on the same lines as other schemes for the education of the handicapped. This should be decentralised (covered by Entry 11 of List II).
16	Government of India scholarships for the handicapped.	The Department of Social Welfare operates this scheme directly even in regard to the scrutiny of applications and release of scholarships direct to the heads of institutions where the handicapped have been admitted.	This work is of an executive nature and should, therefore, be performed by the state governments, general guidelines and policy being laid down by the centre.

1	2	3	4
		<p>The scholarships are given for general and technical education from pre-matric stage upwards. The state governments come into the picture only in regard to the forwarding and initial scrutiny of the applications. The Department appoints three <i>ad hoc</i> committees for scrutiny of applications and selection of candidates from among the deaf, the blind and the orthopaedically handicapped.</p>	
17	Suppression of immoral traffic in women.	<p>There is a central act for this purpose which is implemented by the state governments. The state governments also establish protective homes and reception centres where the ladies prosecuted under the Act are kept. The Department of Social Welfare gives 50 per cent assistance to the state governments. The responsibility for preparing model schemes is that of the Central Bureau of Correctional Services.</p>	<p>No grants should be given from the centre. Only leadership should be provided.</p>
18	Social and moral hygiene 'care' programme.	<p>This scheme provides for the welfare of women in moral danger and those who are unattached. The institutions provided under the scheme include district shelters and state homes. Production units form an integral part of almost every home. This enables the inmates to earn some living wages and promotes self-reliance in them. Preparation of model schemes is the responsibility of the Central Bureau of Correctional Services but the schemes are implemented by the state governments.</p>	<p>The scheme is already implemented by the state governments. The centre should continue to give policy guidance and provide leadership only (covered by Entry 4 of List II).</p>

1	2	3	4
19	Scheme for the welfare of non-student youth.	An outlay of Rs. 2-00 crores has been made for this scheme but the scheme is still in the process of finalisation.	This scheme can be decentralised.
20	State social welfare programme for women, children, the handicapped, etc.	Schemes are prepared by the state governments for the general welfare of women, children and the handicapped.	The scheme is already implemented by the state governments. Centre should continue to give policy guidance and provide leadership only.
21	Welfare Extension Projects in U.P. and Andhra Pradesh.	The welfare extension projects are mainly run through the CSWB though the grants to these two states are directly given by the Department of Social Welfare. This has been so due to past practice and no steps have been taken to route the grant through the CSWB.	Now that an integrated scheme on family and child welfare services is being introduced, this will automatically get transferred as a part of the centrally sponsored scheme. It should go to the states (covered by Entries 6 and 11 of List II).
22	Balsevika training programme.	This is at present a central scheme. The sphere of activities of Balsevika is concentrated mainly around the age group up to 6 years for normal children. The training consists of theory, lectures, practicals and field work including visits to institutions.	This is only a scheme for training workers and teachers. All work is at present being done by the Child Welfare Councils in the states on the basis of pattern grants from the central body. It should, therefore, be transferred to the states (covered by Entry 11 of List II).
23	Establishment of homes for the aged.	This scheme has not yet started.	(Covered by Entry 9 of List II).
24	Establishment of training centres.	Do	(Covered by Entry 11 of List II).
25	Training of teachers for the blind.	This scheme was introduced in the Third Plan as a step towards improving standards of teaching in schools for the blind. It was proposed to undertake the training on a regional basis. The scheme is operated in collaboration with the UNICEF, the American Foundation for Overseas Blind and with the co-operation of the National Association for the Blind and the National Academy of Teachers of the Blind.	This is now a centrally sponsored scheme. The state governments should take over the full responsibility for the operation of the scheme on contributory basis from the other beneficiary states. In the alternative, this may be run by the centre as a central scheme, using, if necessary, the state of location as an agent under Article 258 (covered by Entry 11 of List II).

1	2	3	4
26	Pre-vocational training scheme.	This scheme was initially started at the behest of the UNICEF. The UNICEF still contributes a major portion of the expenditure on the scheme especially in regard to the tools, equipment, library, training of instructors and career masters and salaries of senior instructors (one for each centre) and career masters (one for each centre). These functions are performed in connection with the pre-vocational training for children of the age group 11 to 14 who do not go to school.	As a large number of centres (63) have already been set up this scheme can be considered to have crossed the experimental or pilot stage. The National Development Council in its meeting on the 9th of December 1966, decided to transfer this centrally sponsored scheme to the state sector but subsequently the Planning Commission have decided to keep the <i>status quo</i> by treating the scheme as a centrally sponsored one. This activity excluding regional centres should be transferred to the states. The assistance rendered by the UN agencies can be passed on to the states. The centre need only advise on policy matters, on evolving model training centres and act as a clearing house of information. The regional level training may continue to be a central responsibility, (covered by Entry 11 of List II).
27	Holding of seminars.		
28	Budget of regional training centres.		
29	Progress reports of pre-vocational training centres.		
30	Progress of material and equipment to career masters.		
31	Supply of tools and equipment to regional and pre-vocational training centres.	There are five regional-cum-pre-vocational training centres located in Punjab, West Bengal, Maharashtra, Andhra Pradesh and Madras directly under the control of the Department. They are used for the training of instructors who in their turn impart training in 58 pre-vocational training centres at present being controlled by the state governments. There is a central co-ordination committee which looks after the functions of the regional centres and draws its members from a number of ministries, the UNICEF and ILO. Similarly, state co-ordination committees have been set up at the state level also with a view to running the centres under the control of the state governments and to decide about the selection of trainees, etc. The Department of Social Welfare gives grant-in-aid on the basis of 100 per cent expenditure. This grant will continue up to July, 1968 whereafter the expenditure is proposed to be shared by	
32	Supply of material and equipment to centres.		
33	Progress reports of regional pre-vocational training centres.		
34	Correspondence with state governments to remove the deficiencies of pre-vocational training centres.		
35	Construction of workshop sheds.		
36	Verification of antecedents and character of staff of regional training centres.		

1	2	3	4
		the Government of India and the state governments on a proportionate basis still to be decided.	
	<i>Release of funds to voluntary organisations not of an all-India character.</i>		
37 Assistance to voluntary organisations for the handicapped.		The object of this scheme is to render financial assistance to voluntary organisations engaged in the welfare of the handicapped and to encourage the development of essential services for the physically and mentally handicapped. Assistance is provided for developing all activities calculated to promote the education and training of the handicapped at all stages of education. The main items which are entitled to assistance relate to construction of buildings excluding staff quarters; purchase of furniture, books and educational or vocational equipment; salaries and allowances of staff; seminars, conferences and exhibitions; research and surveys and publication of journals, etc. The grant from the Central Government does not exceed 75 per cent of the non-recurring and recurring expenditure, the remaining expenditure being borne by the state governments and/or the institution/organisation concerned. Grants-in-aid for buildings would not exceed Rs. 1 lakh. The applications for grants-in-aid are scrutinised and forwarded to the centre by the state governments along with their recommendations.	Except in the matter of laying down the general policy and guidelines, the implementation of this scheme can be handled more competently and efficiently by the state governments concerned. If a particular organisation caters to more than one state, the different states can render assistance according to the merits of each case. In the case of all-India organisations assistance should be rendered by the Central Government.

Annexure II—concl'd.

1	2	3	4
38	Inspection reports on the accounts of State Social Welfare Advisory Boards and welfare extension projects.	These organisations are at present directly responsible to the CSWB in regard to the utilisation of grants given to them. The inspection is done with the sole object of eradicating the shortcomings.	This supervisory function should be performed by the state governments. However, evaluation of the working of the state boards as well as programmes in general may be retained at the centre in accordance with the general policy which may emerge for carrying out evaluation in other fields.

Annexure III
(See paragraph 4)

Department of Social Welfare

Functions proposed to be retained by the Department

S. No.	Function/scheme	Brief description	Remarks
1	2	3	4
I	<p><i>Providing initiative and leadership to the states and serving as a clearing house of information.</i></p> <p>Preparation of model schemes and general guidelines, e.g., social defence schemes, schemes for education of the handicapped, grant of scholarships, social welfare schemes, assistance to voluntary organisations etc.</p> <p>Policy matters</p> <p>Overall budget, e.g., budget for homes/infirmaries, vocational training centres, budget for CSWB schemes, budget for social welfare schemes and assistance to voluntary organisations, etc.</p> <p>Overall allocation/release of funds, e.g., allocation of funds to state governments and release of funds to voluntary organisations.</p>	<p>These are self-explanatory.</p>	<p>These functions have necessarily to remain with the centre.</p>
	Committee on child welfare	<p>This committee was set up in December 1962 to advise the Government on—</p> <p>(i) formulation of a national child welfare policy;</p> <p>(ii) to suggest policies, programmes, targets, etc., in the field; and</p>	<p>As the committee is concerned with national co-ordination and the drawing up of the national policy on the subject, this function should remain under the centre.</p>

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		(iii) to secure co-ordination between the activities of the Ministry of Education, CSWB and the Indian Council for Child Welfare	
Central Bureau of Correctional Services.	This bureau is concerned with the following main functions :—		
	(i) to standardise the collection on a national basis of statistics relating to crime, jails, probation and other correctional work;	(i) As this involves all-India co-ordination, it should remain with the Bureau.	
	(ii) to develop a uniform policy of prevention of crime and treatment of offenders, exchange of information in regard to crime prevention and correctional services between the states; and	(ii) Since the Bureau has an advisory role and is a technical agency, this function should remain with it.	
	(iii) to exchange information, where necessary, between India, foreign governments and the UN.	(iii) This has obviously to remain with the centre.	
All matters relating to the administration of the CSWB.	These functions relate to:—		
	(a) general administration and recruitment/appointment to certain selected posts;	Since these functions relate to the day to day administration of the CSWB, they have to continue with the Department of Social Welfare.	
	(b) constitution and re-constitution of the Board;		
	(c) approval of the CSWB membership;		
	(d) rules governing the CSWB and amendments thereto—GPF. Rules of the Board;		
	(e) budget of the CSWB;		
	(f) inspection reports on the accounts of the CSWB; and		
	(g) status of the CSWB.		

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Administrative matters regarding the arrears in the Social Welfare Wing.			
Preparation of statement for the Division of the cases received from the Minister.			
All co-ordination work for Social Welfare Division.			
Monthly Summary for the Cabinet.	These are self-explanatory.		These are administrative and supervisory functions for the successful working of all schemes launched by the Department of Social Welfare and as such should continue with it.
Miscellaneous references on Social Welfare for Social Welfare Division.			
Re-appropriation of funds and reconciliation of expenditure with the Accountants General.			
Appropriation Accounts and Audit Reports.			
Maintenance of lists of schools for the physically handicapped.	The Department of Social Welfare maintains the lists of schools for the physically handicapped in the country. These lists are periodically reviewed and brought up to date by making a reference to the state governments and other voluntary organisations.		This is a co-ordination function and leads to dissemination of information. It should remain with the centre.
Publication of the book 'Towards a Fuller Life'.	This is a new publication brought out by the Central Department focussing the attention of all concerned to help the blind to get a new life. It is also of general interest.		This is a function which has to remain with the centre.

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	National Advisory Council for the education of the handicapped and work relating to implementation of its recommendations.	The Council is a permanent advisory body appointed by the Ministry of Education in 1955. It advises the Government on all problems concerning the education and welfare of the physically and mentally handicapped and assists in the formulation of new schemes for this purpose. The members of the Council include representatives of the Central Government, the Planning Commission, the CSWB, all state governments and Union Territories, representatives of the blind, the mentally handicapped and the deaf, eye specialists and ENT specialists.	This is a function which has to remain with the centre.
	Publication of a quarterly journal on education, training and rehabilitation of the handicapped.	This is self-explanatory.	Publication of a journal which contains consolidated information about the whole country has obviously to be done by the central agency.
II	<i>Undertaking responsibility for drawing up the national plan for the development of welfare activities in close liaison with the states.</i>		
	Formulation of plan and work connected therewith.	It is self explanatory.	This is a central agency function and has necessarily to remain with the centre.
III	<i>Undertaking research at the national level.</i>		
	Overall research/ studies e.g., grant to Delhi School of Social Work and Association for Moral and Social Hygiene in India, for carrying out research studies in the field of social welfare.	It is self explanatory.	This is a central agency function and has necessarily to remain with the centre.

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	National Research Institutes.	These institutes apparently carry out research at the national level in regard to the education and training of the handicapped.	Research at the national level in any subject should remain a responsibility of the centre.
IV.	<i>Undertaking training programme of a foundational nature.</i>		
	Training of trainers under the pre-vocational training scheme.	There are five regional training centres functioning under the control of the Central Government as a part of the pre-vocational training scheme. These centres train instructors who in turn impart training in 58 pre-vocational centres being controlled by the state governments. The regional centres are thus engaged in the training of trainers.	These are central agency functions and have necessarily to remain with the centre.
V.	<i>Taking the initiative in a limited way in evaluating programmes with a view to locating problems and taking remedial measures on an overall basis.</i>	These are self-explanatory.	These may continue with the centre.
VI.	<i>Providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guide-lines.</i>		
VII.	<i>All-India Organisations.</i>		
	Indian Council for Child Welfare.	It is a registered all-India organisation and has its state branches throughout India. It gets grants-in-aid from the	This is an organisation of a national character. It may continue to get central grants for activities of an all-India

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		Government for its headquarters as well as for passing central assistance to the state branches for executing programmes in states. It runs activities like Bal-sevika training and also participates in a number of international activities.	character. As regards other functions coming within the purview of the state branches, the programme should be assisted by the states concerned and the central organisation may only perform those functions which a central organisation should ordinarily perform, e.g., providing leadership and initiative, acting as a clearing house of information, policy formulation, suggesting model schemes, training of trainers and evaluation, etc. Thus, schemes like training of Bal-sevikas should be decentralised.
Grants to the Association for Moral and Social Hygiene in India and other voluntary organisations of an all-India character.		This association has got branches in almost all the states and gets 100% grant from the Central Government for its central office. The expenditure of the state units is met by the Central Government to the extent of 60%, the remaining portion being contributed by the state governments concerned.	These institutions are of an all-India character; only head office should get central assistance. Assistance to state branches should be the responsibility of the states concerned.
Grant-in-aid to All-India Crime Prevention Society, Lucknow.		This society among other things deals with social education of the public in the matter of prevention of crime, training in social defence etc. A sum of Rs. 5000 has been given by the centre as grant-in-aid during the last two years.	This institution is of an all India character.
Tata Institute of Social Sciences, Bombay.		Grant is being given by the centre to this Institute for its work in the field of social welfare. This is a type of a national institute which conducts a number of courses in social	Do.

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		sciences and admits candidates from all over India. The certificates and diplomas issued by this Institute are considered for recognition by the Department of Social Welfare.	
VIII	<i>Matters relating to the Union Territories.</i>		
	Allotment of land to social welfare institutions in the Union Territory of Delhi and other cases relating to social work under Delhi Administration and other Union Territories including Bal Sahyog.	It is self-explanatory.	This is a function pertaining to a Union Territory and may remain with the centre.
IX	<i>Matters relating to the United Nations/foreign countries/other foreign agencies.</i>		
	Collaboration with foreign governments/foreign agencies e.g., the UNICEF, ILO experts, TCS of the Colombo Plan and under the SCAAP, FCOSOC, UN Correspondents, deputations, training under cultural exchanges with foreign countries, assignment of experts, etc. Delegations abroad.	These are self-explanatory.	These are central agency functions and have necessarily to remain with the centre.
	United Nations International Children's Emergency Fund.	Functions of the Department relate to the contribution of India's share to the UNICEF. Assistance received from it	This work has to be performed at the central level as it relates to an international agency.

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		in cash and kind is handled by the Department. Other co-ordination work including conferences about/ of the UNICEF is also undertaken.	
Scholarships for the education and rehabilitation of the handicapped under the TCS of the Colombo Plan and under the SCAAP.	It is self-explanatory.		Dealings with foreign agencies have necessarily to be performed at the central level.
Scholarships for the training of teachers of the handicapped offered by foreign agencies.	The Royal Commonwealth Society for the Blind, UK., offers some scholarships for advanced study in the UK., on the following subjects:— (1) welfare of the blind, and (2) teachers' training course, (3) advanced training in ophthalmology. The Central Government meets only the travel cost while the rest of the expenditure is borne by the foreign agency concerned.	This is a function which has to be performed by a central agency.	
X	<i>Schemes/Centres which are of the only kind in India and which have to be handled by a central agency e.g. Model Centre for Blind Children, Central Braille Press, Dehra Dun, and Training Centre for the Adult Deaf, Hyderabad.</i>		
Model School for mentally deficient children.	This was a central scheme and during the year 1959-60 a provision of Rs. 30,000 was made for this item but the scheme was not taken up. At the end of the Second Plan	The present unit serves as a pilot centre and is the only one of its kind in the country. It should remain with the centre.	

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		<p>period it was decided to run the scheme through the Delhi Administration, the centre giving the funds necessary for it. The school was established on 17-9-64 and a provision of Rs. 4 lakhs was sanctioned for this scheme for the Third Plan period.</p>	
Central Braille Press, Dehra Dun.	<p>This Press was established in Dohra Dun in April, 1951. The object of the Press is to produce braille literature in the Indian languages. The Press also brings out a quarterly journal in Hindi.</p>	<p>This is at present a unit of the Central Government and is the only one of its kind in the country.</p>	
Model School for Blind Children, Dehra Dun.	<p>The school was established in 1959 and provides accommodation for 70 children with free board and lodging facilities, irrespective of caste, creed or economic status. The object of the school is not merely to impart education on modern lines to a limited number of blind children but also to serve as a laboratory for the development of new methods and techniques of educating them.</p>	<p>The present unit serves as a pilot centre, and is the only one of its kind in the country. It will be developed as a national centre.</p>	
Training Centre for the Adult Blind, Dehra Dun.	<p>This centre was established in January, 1950, and imparts training in engineering and non-engineering trades to adult blind men and women from all parts of the country. It accommodates 150 men and 35 women. Its main purpose is to help the trainees towards economic independence.</p>	Do.	
Training Centre for the Adult Deaf, Hyderabad.	<p>This was established at Hyderabad in September, 1962. The following trades are taught at present for the benefit of the deaf :—</p>	Do.	
	<p>(1) carpentry (2) tailoring</p>		

1	2	3	4
		(3) fitting (4) wiremanship (5) sheet metal work (6) gas welding.	
Establishment of an institute for rehabilitation of the handicapped.	Three centres for training teachers of the blind have already been set up and it is proposed to undertake the training of teachers of the deaf and mentally retarded children as well. The recent trend is to provide an integrated course in the education of all handicapped children followed by some period of training in the education of a specified category. For carrying out this experiment, it is proposed to set up a national institute.	This is a central scheme. The institute is in the nature of a national institution and administrative necessity requires it to be run by the centre. Decentralisation is neither practicable nor desirable. This activity is covered by Entry 65 of List I.	
Financial assistance to the handicapped from the Minister's Discretionary Fund.	It is a prerogative of the Central Ministers to grant assistance to any person for a particular purpose from the discretionary fund at their disposal. In one particular case which was studied, the Deputy Minister for Education sanctioned a sum of Rs. 1,500 for the purchase of a powerloom by the applicant.	This will necessarily remain with the centre.	
XI. Other functions under taken by the Central Government.			
Maintenance and rehabilitation of unattached displaced women and old and infirm displaced persons (with or without dependents) from West and East Pakistan staying in homes	The homes and infirmaries are maintained by the state governments. They are sanctioned every year by the Department of Social Welfare as also the grants for dolees staying outside the homes and infirmaries. The inmates of the homes are imparted training in various crafts with a view to enable	Rehabilitation of refugees is a responsibility, the bulk of which is already being discharged in collaboration with the state governments. Responsibility for the day to day administration needs to be left entirely to the state on 'agency functions' basis. The cases of transfer of dolees from one state to another	

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and infirmaries located in different states.	Payment of cash doles to displaced unattached women and old and infirm persons (with or without dependents) from West and East Pakistan staying in homes/infirmaries or outside with friends, relations, etc.	them to earn a livelihood and then to leave the homes. The Central Government meets the entire expenditure including repairs of buildings.	by mutual correspondence between the states should also be handled by the state governments.
Training of unattached and displaced women from Pakistan staying in homes/infirmaries.	Grant of loans through state governments (West Bengal, Assam, Bihar) for the rehabilitation of displaced families of long-term liability category staying in homes and infirmaries or receiving cash doles outside homes/infirmaries.	The cases of all inmates of homes and outside doles are reviewed annually by a Central Government review committee which has a representative each from the Department of Social Welfare (a Class II Gazetted Officer), state government and the relevant institution. The review reports are submitted to and scrutinised by the Central Government.	It usually takes much time for the Central Government to take decisions on review reports and get them implemented. Since the homes and infirmaries are administered by the state governments, they are the best judges for weeding out ineligible and effect other economies. As the Government of India bears the entire expenditure, it should ensure by occasional inspections that all the instructions are followed by the state governments. In any case, it is not proposed to take away the power of the Central Government to weed out the doles.
Exemption from import duty on appliances for the handicapped.	These loans are granted through the state governments for the rehabilitation of displaced persons of long-term liability category. The Central Government have already laid down ceilings up to which the state governments can give loans for various purposes in accordance with the instructions laid down in this regard.	Rehabilitation of refugees is a responsibility undertaken by the centre but the grant of loans to the individuals and other administration work in this regard can be performed on an agency function basis by the state governments.	This is a function which has to be performed by the central agency.
XII Release of foreign exchange.	Self-explanatory	This is a central function and has necessarily to remain with the centre.	

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XIII <i>Matters relating to inter-state questions or matters affecting more than one state.</i>			
Recognition of diplomas/degrees awarded by the schools of social work.	The Institute of Business Management, Calcutta, approached the Government for recognising their diploma on social welfare as equivalent to the M.A. Degree. The Department of Social Welfare after consultation with the UGC agreed to the proposal and asked the Institute to approach the Calcutta University in the matter.		Since this pertains to formulation of a uniform national standard, it should remain a central function.

Annexure IV-A
(See paragraph 4)

Department of Social Welfare
Financial Provisions for the period 1-4-66 to 31-3-71
Central Schemes

Serial No.	Programme	Provision	To be retained at the central level	To be decentralised
<i>A-Plan</i>		(Rs. in crores)		
1	Pre-vocational training	0.50	0.50	Nil
2	Social Defence (Central Bureau of Correctional Services)	0.50	0.50	Nil
3	Education, training and rehabilitation of the handicapped	3.50	1.00*	2.50
4	Training, research, survey and administration ..	1.50	1.50	Nil
5	Voluntary organizations:			
	(a) all India Organisations	2.00	0.50*	Nil
	(b) organisations not of an all-India character .. }	..	..	1.50*
		8.00	4.00	4.00
<i>B-Non-Plan.</i> (Based on the revised estimates for 1966-67)				
1	Grant in-aid to the Central Social Welfare Board ..	1.13	1.13	..
2	Contribution and grant-in-aid to the UNICEF ..	3.75	3.75	..
3	Homes/Infirmarys and outside doles for displaced persons from Pakistan	6.00	6.00	..
4	Rehabilitation of the handicapped:			
	(i) training centres	0.47	0.21	0.26
	(ii) rehabilitation centres	0.15	0.08	0.07
	(iii) scholarships to the handicapped	0.33	..	0.33
	(iv) others	0.07	0.07	..
		11.90	11.24	0.66

* Break up of individual schemes not available and hence the figures are approximate.

If the proposals outlined in the study are accepted:

- (i) the value of the schemes proposed to be retained at the central level will be Rs. 15.24 crores (approx.) during five years; and
- (ii) the value of the schemes proposed to be transferred to the state agency will be Rs. 4.66 crores (approx.) during five years (this excludes the Social Welfare and Rehabilitation Directorate which has not been studied).

Annexure IV-B
(See paragraphs 4 and 7.2)

**Department of Social Welfare
and
Central Social Welfare Board**
Financial Provisions for the period 1-4-66 to 31-3-71
Centrally Sponsored Schemes

S. No.	Programme	Provision	To be retained at the central level	To be decentralised
(Rs. in crores)				
<i>A. Department of Social Welfare</i>				
1	Pre-vocational training	3.00	Nil	3.00
2	Social and moral hygiene and after-care, etc. ..	1.00	Nil	1.00
3	Employment exchanges for the handicapped ..	0.50	Nil	0.50
4	Youth welfare projects	2.00	Nil	2.00
		6.50	Nil	6.50

If the proposals outlined in the study are accepted, the value of the schemes proposed to be decentralised will be Rs. 6.50 crores and of those to be retained at the central level will be nil.

B. Central Social Welfare Board

1	Family and Child Welfare Programme	10.00	Nil	10.00
2	Children's programmes	2.50	Nil	2.50
3	Special programmes for women e.g., condensed courses, socio-economic programmes	3.00	Nil	3.00
		15.50	Nil	15.50

If the proposals outlined in the study are accepted, the value of the schemes proposed to be decentralised will be Rs. 15.50 crores and of those to be retained at the central level will be nil.

Central Social Welfare Board

Functions proposed to be transferred to the state agencies

S. No.	Function/Scheme	Brief description	Remarks
1.	Welfare extension projects	Welfare extension project (rural) is a unit of 25 contiguous villages with a multi-purpose block relating to women, children and the physically handicapped. On the urban side, the project is operated in slums, overcrowded industrial areas, etc., minimum number of activities to be handled by a project being five. The Central Board has prepared a standard budget and meets 50% of the expenditure incurred by an institution, the remaining 50% is arranged by the institution from other sources including the state governments. The budget prepared on the above lines is approved by the state boards. Scheme for starting a project is approved by the Central Board and necessary share of the expenditure is released by the Central Board to the state board which then releases it to the institutions. The projects are run in two stages and after the completion of the second stage they are normally transferred to the voluntary institutions. Most of the existing projects are expected to be completed in the year 1968. However, very few	A large number of such projects is functioning at present in the various states. They cannot, therefore, be said to be of a pilot nature and should be handled at the state level. They should, therefore, be transferred to the states (covered by entries 6 and 11 of List II).

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of them will be transferred to the voluntary agencies etc., as they are proposed to be converted into family and child welfare projects, which are separately being proposed to be transferred to the states (although the Planning Commission have recently decided to treat this as a centrally sponsored scheme).

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|---|--|
| <p>2 Family and child welfare scheme.</p> | <p>This is a new centrally sponsored scheme to be implemented with UN assistance. The Central Government will give grant to the extent of 75% of the expenditure. The programme envisages the opening of 1000 centres for locating family and child welfare projects in the CD blocks in addition to the centres to be converted from the welfare extension projects, etc. The programme is designed to achieve all-round development of the pre-school child and strengthening of the family. The new projects will be different from the old ones in some ways but the programme is primarily based on the work already done in the previous three plans for the welfare of rural women and children. It cannot, therefore, be said to be of a pilot nature. The assistance received from the UNICEF can be passed on to the states.</p> |
|---|--|
- This scheme has already been approved by the Planning Commission as centrally sponsored against the recommendations of the Committee of the National Development Council made in December 1966. The scheme should be transferred wholly to the states (covered by Entries 6 and 11 of List II).

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3	Family planning.	<p>These schemes are prepared by the Ministry of Health. That Ministry also lays down the pattern of assistance, sanctions the grants and releases the funds. The voluntary institutions submit applications for grants to the state family planning officers who recommend them directly to the DGHS. The role of the Central Social Welfare Board appears to be that of a liaison between the state board and the DGHS.</p>	<p>This scheme should be entirely handled by the state family planning officers. No approval from the centre should be necessary.</p>
4	Child welfare and special child welfare programme.	<p>Presently these are centrally sponsored schemes and will be part and parcel of the integrated family and child welfare scheme when it is operated. Other activities relating to child welfare concern the adoption of children by foreign/Indian nationals and the foster care of children.</p>	<p>Since the main schemes are being recommended for transfer to the state sector, this activity will automatically be transferred. The organisations at the state level will be having a close liaison with voluntary organisations in the states concerned and are the right agencies for implementing the programmes (covered by Entries 6 and 11 of List II).</p>
5	Welfare of jawan's family.	<p>This scheme will cover the welfare of the families of the jawans during the latter's absence or in the event of death.</p>	<p>The scheme has not yet been worked out. The incidence of this scheme is on individual families and the states should handle this welfare work on an agency basis if funds have to be provided by the centre as a national responsibility. They should be provided by the Ministry of Defence and channelised through the states.</p>
6	Border areas programme.	<p>This programme covers the organisation of camps</p>	<p>The state governments concerned are in a better</p>

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		and the operation of social welfare projects with a view to engender awareness in regard to social welfare among the people residing in border areas. The expenditure is shared between the Central Board and the state governments in the ratio of 75 and 25.	position to judge the needs of the people living in border areas within their jurisdiction (covered by Entries 6 and 11 of List II).
7 Socio-economic programme.		This scheme relates to the production units of small scale industries attached to voluntary welfare institutions and organised as ancillary to larger industries, e.g., handloom, coir, handicrafts, khadi and village industries. The pattern of financial assistance for the various schemes under this programme is determined in accordance with the nature of the programme.	The state social welfare department in collaboration with the Department of Industry will be in a better position to handle this scheme (covered by Entry 11 of List II).
8 Night shelters.		This is a model scheme to be implemented by voluntary organisations for which specific patterns of assistance, type of beneficiaries, etc. are laid down.	The states' agencies should be the correct agencies for according sanction straightway to various institutions if they fulfil the prescribed conditions. This should be their responsibility.
9 Welfare of the physically handicapped, old and infirm.		Five year grants are given to various institutions working for the welfare of the handicapped, etc., particularly in regard to education in the academic and technical field.	This scheme will have to be handled on similar lines as the scheme for the education of the handicapped being handled at present by the Department of Social Welfare. This should be decentralised.
10 Holiday homes.		Allocation for this scheme is met by the Central Board at the rate of Rs. 3,000 per home on the basis	The programme has been recently decentralised to the states and it should be possible for all states to

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		of the holiday homes organised in the previous financial year. The proposals for setting up of such homes are at present approved by the Central Board.	take over this activity without delay.
11 Administration of state boards.		This relates to the internal administration of the state social welfare advisory boards.	Obviously, this should be entirely left to the states.
	<i>Training other than training of trainers/foundational training</i>		
12 Training of Gramsevikas including those in tribal areas, Mukhyasevikas and other project staff in the welfare extension projects.		This scheme contemplates short-term orientation/ refresher courses for trained/untrained Gramsevikas working in the community development welfare extension projects and Mahilamandals. It involves organisation of camps/courses in a group of 20 Gramsevikas at the district headquarters.	Since the implementation is to be done on the spot, the state board will be in a better position to undertake this. There is no advantage in central control (covered by Entry 11 of List II).
13 Training of Balsevikas.		This scheme is expected to meet the requirements of Balsevikas in various projects. Short-term training courses which will be entrusted to voluntary organisations and supervised by the state boards have been organised. The courses will be of 3 months' duration.	This training is not of a foundational nature. Since the overall supervision over the voluntary organisations is even now done by the state boards, this position may continue. Even the training courses can and should be organised by the states themselves (covered by Entry 11 of List II).
14 Training in crafts and other vocations.		Grants are given by the Central Board to regional handicrafts training institutes for buildings and hostels for candidates to be admitted to the various courses under them. Train-	Even now the candidates are admitted on the basis of recommendations made by the state boards. This subject can, therefore, be easily handled by the state governments concerned

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		ing is given in book binding, leather work, making of toys, cane and bamboo work, dyeing and textile printing.	(covered by Entry 11 of List II).
15 Condensed courses.		These courses are run for two years for the education of adult women. The courses cater to the requirements of middle and matriculation standards. The grants are released by the Central Board to the state boards which in turn pass them on to the institutions concerned. The CSWB also gives guidelines, approves syllabi and fixes terms and conditions of the grants.	This is not a foundational training. A number of institutions have already attained the required capacity for running these courses. All the functions performed here by the CSWB can well be performed by the states. The scheme should, therefore, be wholly decentralised (covered by Entry 11 of List II).
<i>Matters connected with voluntary institutions not of an all-India character; and release of funds to voluntary organisations not of an all-India character</i>			
16 Plan period grants to voluntary organisations which are not of an all-India character.		These grants are made to voluntary organisations for consolidation and improvement of social welfare activities, the maximum amount sanctioned being Rs. 50,000 for five years. Applications recommended by the state boards are decided by the CSWB.	It is from these grants that some of the activities mentioned in items 1 to 15 are financed. Besides, these grants are also used for financing miscellaneous expenditure. An itemwise discussion is already available above. The general conclusion is that the states are in a better position to assess requirements and launch, finance and supervise activities. The centre should not, therefore, finance any of these activities in any way (except, possibly, item No. 5). This
17 One year grants to voluntary organisations which are not of an all-India character.		One year grants are given to various organisations/ Mahilamandals for various purposes on the basis of state boards' recommendations. Lump sum grants are released by the	

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		Central Board twice a year.	applies also to Mahila-mandals, an activity that has been carried on for a considerable period and cannot be considered to be experimental any longer. Whether the states will agree to finance all these activities becomes a question of priorities and the arrangements proposed in Section II of Volume I of the report will be operative.
	<i>Budgets / accounts/administrative matters relating to organisations including state boards located in the states and having no direct dealing with the central agency</i>		
18	Reconstitution of state boards.	All the state boards are constituted by the state governments. Since there are a good number of nominees of the CSWB also on all the state boards, the composition of the state boards is finalised by the state governments in consultation with the CSWB.	The state governments should be free to appoint their own advisory boards.
	<i>Inspections and detailed evaluation about the progress of various schemes</i>		
19	State board inspectorates.	The system of inspecting officers was established at the level of the Central Board in 1954. This was followed by the appointment of a team of inspectors and welfare officers who were attached with the officers of state boards. The inspectorate staff	Since the state boards are fully responsible for the implementation of social welfare schemes and as the inspecting staff is under their administrative control it is necessary that they should submit their inspection reports direct to the state boards and

1	2	3	4
		<p>have to get their tour programmes approved by the Central Board in advance. Though they are under the administrative control of the state boards, they are recruited by the Central Board and they submit their inspection reports to the state boards through the Central Board.</p>	<p>work under their instructions. Even the inspectors can be appointed and paid for by the states.</p>
	<p><i>Routine functions like maintenance, repairs, etc., relating to subjects falling in the state sector</i></p>		
20	Allocation of jeeps.	<p>This scheme involves allotment of jeeps to various institutions where extension projects are located.</p>	<p>Since the allocation is a matter of judgement on the spot, the state government will be in a better position to handle this item. In any case this scheme will now become part of the integrated scheme, "family and child welfare project" which has already been proposed for decentralisation to the states.</p>

Annexure VI
(See paragraph 7.1)

Central Social Welfare Board

Functions proposed to be retained at the centre

S. No.	Function/Scheme	Brief description	Remarks
	<i>Providing initiative and leadership to the states and serving as a clearing house of information</i>		
1	Preparation of model schemes and general guidelines, e.g., holiday homes, night shelters, condensed courses, socio-economic programmes, border areas programmes, etc.	These are self-explanatory.	These functions have to remain with the centre.
2	Overall budget, e.g., budget of state social welfare advisory boards and voluntary organisations.		
3	Overall allocation/release of funds, e.g., to state boards and voluntary organisations.		
4	Child welfare supplement.	This relates to the preparation of the pamphlet 'organisation of rural Balwadi', a centralised publication meant for the use of various trainees and other agencies. The entire expenditure is borne by the CSWB.	As this activity is in the nature of co-ordination and provides a field for the dissemination of information on a vital subject, it should be handled by the centre.
5	Journals on 'Social Welfare' and 'Samaj Kalyan'.	These journals are brought out by the CSWB and are in the nature of extension activity.	As this leads to dissemination of information on a vital subject, it should remain with the centre.
6	Film publicity and production of films.	This is an extension activity which is very vital for the successful working of the various social welfare schemes undertaken by the CSWB and the state boards.	For achievement of uniformity and attainment of national standards this should remain with the central agency.

Annexure VI—contd.

1	2	3	4
7	Internal Audit.		
8	Release of funds and maintenance of accounts.		
9	Meetings of the CSWB. . .	The seare self-explanatory.	These are administrative and supervisory functions for the successful working of all schemes launched by the CSWB and as such should remain with the centre.
10	Co-ordination.		
11	Headquarters administration.		
	<i>Undertaking responsibility for drawing up the national plan for the development of welfare activities in close liaison with the states</i>		
12	Preparation of plans and other work connected therewith.	This is self-explanatory.	These functions have to remain with the centre.
	<i>Undertaking research at the national level</i>		
13	Overall research/studies, e.g., conduct of research through universities and other important social welfare institutions.	This is self-explanatory.	These functions have to remain with the centre.
	<i>Taking the initiative in a limited way in evaluation programme with a view to locating problems and taking remedial measures on an overall basis</i>		
14	Independent evaluation ; receipt of progress and random reports from state boards, checking of accounts of voluntary organisations directly financed or aided by the centre, etc.	The object is to process the progress reports received from the state boards and also review the evaluation arrangements and activities at the state board level.	Only a central agency can evaluate particular programmes on an all-India, basis mainly by screening the state evaluation of respective programmes with test checks on the spot.

1	2	3	4
15	Inspection of accounts of state boards and voluntary organisations.	This is self-explanatory.	This is an administrative and supervisory function for the successful working of all schemes launched by the CSWB and as such should remain with the centre.
	<i>Providing a forum and meeting ground for state representatives for the exchange of ideas on different subjects and for the evolution of guidelines</i>		
16	Meetings of the CSWB.	The chairmen of the state social welfare advisory boards are members of the CSWB and the meetings of the Board provide an opportunity for the exchange of views between central and state representatives.	This is a central function.
	<i>Dealing with all-India organisations</i>		
17	Yearly and five year grants to voluntary organisations/institutions of an all-India or regional character.	This is self-explanatory. Those are organisations of a regional character which cover more than one state and run institutions to which they admit persons from different states.	This activity should continue to be undertaken by the centre but on the recommendations of the state in which the headquarters of the institutions are located.
	<i>Matters relating to the United Nations/foreign countries/other foreign agencies</i>		
18	Collaboration with foreign governments/foreign agencies.	These are self-explanatory.	These functions have to remain with the centre.
19	Deputations abroad and assignments of experts.		

Annexure VI—concl'd.

1	2	3	4
20	Gifts from foreign countries and from philanthropists in the country.	Only one case of this type has occurred so far. A gift of toys was received from a welfare agency in the U.S.A. This was distributed by the CSWB to children between 4 to 10 years of age after calling for suitable names from all schools in the Delhi territory.	Should be retained by the centre because only the centre can co-ordinate the receipt of such gifts.
<i>Release of foreign exchange</i>			
21	Release of foreign exchange, e.g., recommendations to the Central Government for release of foreign exchange.	This is self-explanatory.	This function has to remain with the centre.

Study VII

SCHOOL EDUCATION

INTRODUCTORY

1. School education is a state subject. In this sector, besides providing leadership and guidance to the state governments, the Ministry of Education directly involves itself in the administration and sponsoring of a number of central and centrally sponsored schemes, financed through separate central appropriations. In the Fourth Plan the proposed outlay for school education on central and centrally sponsored schemes and also for giving grants to the National Council for Educational Research and Training (mostly for school education) is Rs. 58.20 crores (9.8 per cent of the outlay on school education in the state sector).

ORGANISATIONS DEALING WITH SCHOOL EDUCATION

2. At the centre all matters relating to school education are dealt with by

- (i) a part of the Education Ministry designated as the Bureau of School Education (BSE) [organisation chart is at *Annexure I*];
- (ii) a part of the Planning Unit of the Education Ministry;
- (iii) a part of the National Scholarships Division of the Education Ministry;
- (iv) a part of an autonomous institution known as the National Council for Educational Research and Training (NCERT) [organisation chart is at *Annexure I-A*]; and
- (v) a part of the Physical Education Division of the Ministry of Education.

CATEGORISATION OF ACTIVITIES

3.1 Their activities have been studied in detail and are broadly categorised below:—

- (i) providing initiative and leadership to the states and serving as a clearing house of information;
- (ii) undertaking responsibility for drawing up the national plan for the development of education in close collaboration with the states;
- (iii) undertaking research at the national level for development of education;

- (iv) undertaking training programmes of a foundational nature;
- (v) evaluating and checking in a limited way the progress of plan activities through a watch on the progress of plan expenditure;
- (vi) providing a forum and meeting ground for the state representatives for exchange of ideas on different subjects and for evolution of guidelines;
- (vii) evolution and administration of central and centrally sponsored schemes for improvement of the quality of school education and physical education;
- (viii) undertaking general educational surveys;
- (ix) follow-up action on decisions taken at seminars, meetings and conferences, etc.;
- (x) co-ordination with foreign governments and state governments for educational schemes involving foreign assistance or foreign exchange;
- (xi) giving direct grants to institutions and scholarships to students for educational purposes;
- (xii) miscellaneous statistical and parliament work; and
- (xiii) training of teachers and instructors.

3.2 A list of the central and centrally sponsored schemes in the field of school education (including that part of physical education having relation to school education) is at *Annexure II*. Details of the various schemes and other items of work under each category mentioned above are at *Annexures III to VII*.

3.3 The first item of work mentioned above, i.e., "providing initiative and leadership to the states and serving as a clearing house of information" should perhaps be the most important function of a central ministry; the others, (ii) to (vi), could be said to be the natural implications of this function and flow from the central agency's role as leader, innovator and technical guide. Of the remaining activities mentioned at (vii) to (xiii) those mentioned at (vii), (viii), (xi) and (xiii) do not conform to the functions visualised as legitimate and necessary activities for a central agency as indicated in Chapter XI of the main report. All the items enumerated in paragraph 3.1 above are, however, discussed seriatim in the subsequent paragraphs.

4.1.1 *Initiative and leadership* [items (i) to (vi) of paragraph 3.1]

Providing initiative and leadership to the states should normally imply purposeful activity in the following sectors:—

- (a) technical guidance;
- (b) dissemination of useful information;
- (c) policy formulation; and
- (d) formulation of plan and evaluation of programmes.

The first two functions mentioned above are performed by the NCERT which was set up as an autonomous organisation registered under the Societies Registration Act. The Council was established to undertake, aid, promote and co-ordinate research and training in all branches of education and to take various activities in furtherance of these objects.

In selecting areas for research, technical guidance and dissemination of information the Council locates items of national importance in various fields, arranges them in order of priority in relation to the requirements of state departments of education, training colleges, universities, educational institutions, etc., and organises research, survey and evaluation studies. All these require a preliminary survey of the work that is being done in the states and the organisation of programmes to fulfil their needs. Their programmes are undertaken in a **phased manner** in accordance with the priorities decided upon and the results of these programmes are meant to be applied in the field of education as quickly as possible.

4.1.2 The Ministry of Education and the NCERT organise the following conferences and seminars for bringing together educational experts and representatives from the state governments to evolve realistic national policies in the field of education:—

- (i) meetings of the Central Advisory Board of Education. (annual);
- (ii) meetings of the Education Secretaries of the state governments (these are *ad hoc* meetings called whenever necessary);
- (iii) meetings of the National Council of Women's Education (annual);
- (iv) seminars on compulsory primary education and girls' education (annual);
- (v) seminars on elementary education (annual);

(vi) conference of the extension service departments of the state department of education (annual); and

(vii) half-yearly conferences of the state institutes of education.

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4.1.3 It is in the sphere of formulation of plan and evaluation that a marked weakness is visible. This weakness has been felt by the Ministry of Education also for some time. At present the Ministry has no specific machinery for planning. It has, instead, a small Plan Co-ordination Unit with limited duties and staff.

The following can be some of the functions that the Ministry may attempt to do on planning and evaluation:

- to undertake perspective planning;
- to help in the preparation of the plan in detail, *e.g.*, technical and financial aspects, including foreign exchange requirements;
- to keep a watch over the plan expenditure;
- to examine the requirements of man-power for the plan and to take necessary measures to provide the same;
- to examine the administrative aspects of the plan, like the expected work-load, most appropriate organisation to deal with this, etc.;
- to streamline the procedures for timely implementation of the plan and achievement of the targets;
- to evaluate the implementation of the plan;
- to undertake investigations, field studies, etc., relevant to the formulation of the plan and its implementation and evaluation;
- to collect, compile and maintain up-to-date information about norms, unit cost, etc., adopted (or to be adopted) in various states in India and other countries.

These functions are not being performed effectively in the Ministry at present, possibly for lack of proper organisational support.

It may be relevant to mention here that the Committee on Administration decided at its 21st meeting held on 8-2-1965 that there was an urgent need for strengthening the arrangements for handling planning work in the ministries concerned with development plans. For the Ministries of Health, Education and Food, Agriculture, Community Development and Co-operation, the Committee suggested that the Secretaries concerned should

carry out reviews of their planning arrangements and work out proposals so that the technical, financial and administrative aspects of the plan, as well as the expected work-load, the right organisation to deal with the work, the improvement of the procedure of planning and implementation, requirements of manpower and so on, could be attended to properly. The Bureau of Planning has since been reorganised but even so the activities listed above are not given the right attention and the Ministry itself is dissatisfied with the organisational support for the task.

EXTENT TO WHICH FUNCTION OF RE-SEARCH PERFORMED

4.1.4 The research programmes undertaken or completed by the NCERT during 1965-66 are listed in *Annexure III*. The results of this research are published and sent to the states for their guidance. Dissemination of information about what is happening in one part of the country to the other parts is also undertaken by the NCERT. During 1965-66 they undertook or completed the following activities in this field:—

- (a) study of administrative organisation of educational systems in various states;
- (b) comparative study of the constitution and functions of boards of secondary education;
- (c) advice on designs of school buildings;
- (d) analysis of B.Ed. syllabi of various universities, etc.;
- (e) improvement of text-books specially in science and mathematics;
- (f) preparation of instructional material;
- (g) examination reform; and
- (h) summer institutes for science teachers.

The NCERT thus seems to be aware of the importance of the role of the Ministry as leader and guide and is going about the job with some purpose.

DRAWBACK IN THE COMMUNICATION SYSTEM

4.1.5 There is, however, one drawback in the communication system between the Ministry of Education and the state governments. At present, communications to the states are, as a rule, addressed to the Secretary to the Education Department and communications only from him are formally acted upon. It may be more convenient at times for the officials of the Ministry to communicate directly with the Director of Public Instruction or his deputy concerned and to get the required information or advice directly from him and *vice versa*. This is done occasionally but in functional matters or in eliciting information this practice needs to be adopted systematically and to a much larger

extent. This suggestion would, however, require the concurrence of the state governments also for allowing the Directors of Public Instruction or their deputies to correspond directly with the officials of the Central Ministry.

4.2 *Evolution and administration of central and centrally sponsored schemes (item vii of paragraph 3.1)*

A—Central schemes

- (1) Schemes relating to improvement of the quality of school education

Some of the major deficiencies in educational administration at the state level which have discouraged the states from taking up bold programmes of school education are said to be

- (i) the inadequate equipment of the education departments in the states for the immense tasks of educational expansion and improvement that have to be organised in the immediate future;
- (ii) the absence of a long-term perspective plan of educational development and consequent failure to identify priorities and evolve a proper strategy of development;
- (iii) the lack of adequate trained man-power; and
- (iv) the paucity of finances in the states' budgets.

The Central Ministry of Education has, therefore, taken upon itself the task of framing and implementing certain schemes it considers important. The deficiencies mentioned above, however, do not require direct central involvement, financial and administrative, in programmes for the improvement of quality in education. This involvement ought to be selective and limited to the activity that of necessity can be undertaken only by the centre. Thus, the allocation of resources should depend altogether on priorities settled taking the plan as a whole into account and financial need should not be an argument for encroachment by the Ministry into an activity in the state sphere. On the other hand, all programmes which have inter-state ramifications or overriding all-India significance must be taken up by the centre. Similarly, the centre could justifiably take up a scheme which is in the nature of an experiment, the success of which may induce the states to take up a bold programme. But the object underlying central experimentation should always be that the programmes are decentralised after the schemes are evaluated. Adopting these criteria, a number of schemes merit decentralisation. A full description and discussion of each of

these schemes may be seen in *Annexure IV*. Briefly, only the following schemes merit retention at the central level for some period:

- (i) *Training of secondary school teachers through correspondence courses*

The Central Government intend to implement the scheme through the universities of Calcutta and Baroda to start with. This scheme is regional in character and is a new experimental venture. The Central Government is administering the scheme as a central project. When this project is successful and similar courses are organised through the universities in all other states, this scheme may be transferred to the state sector.

- (ii) *Scheme for the reorganisation and expansion of teaching of science to students throughout the school stage in India*

This is a collaboration scheme (UNICEF) and will largely be in the state sector, the Central Government being mainly concerned with the development of new syllabi, new instructional material, training of science educators and science teachers of different levels and equipping all institutions with necessary science materials. The scheme may be fully decentralised to the states after it has run its full course during the Fourth Plan period.

- (2) Schemes relating to physical education

PHYSICAL
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TION

Physical education is considered to be a part of general education. The Central Government implements the following six schemes in this sector involving schools, the details of which are separately given in *Annexure V*. Briefly, the schemes are:—

1. *National Fitness Corps*

This is an integrated physical education scheme combining the following three schemes existing earlier:—

- (i) the National Discipline Scheme;
- (ii) the Physical Education Programme; and
- (iii) the Auxiliary Cadet Corps.

The National Discipline Scheme used to be directly implemented by the Central Ministry through its own instructors. After the integration of all these schemes into one, the state governments were asked to take over the responsibility for implementation of this scheme and all the personnel involved. There has, however, been a difference of opinion between the

Central and state governments about the pay, allowances and other service conditions of these instructors. Pending a settlement of this question the Central Government continues to pay these instructors.

The Directorate of the National Fitness Corps maintains two training centres and two training institutions. Reorientation training to candidates sponsored by the state governments is imparted at the training centre to make them suitable instructors for the National Fitness Corps. One year training for turning out instructors for the National Fitness Corps is imparted at each of the two training institutions.

This is not, and should never have been, a subject for the Ministry to handle. The scheme should always have been a state scheme and should now be decentralised totally. The reluctance of both the centre and the states to handle it emphasises the point. The work of training, if necessary and more economical, could be retained at the centre, to be paid for by the states.

2. *Lakshmibai College of Physical Education, Gwalior*

This is a national institution catering to the needs of all the states. It could befittingly be retained by the Central Government.

3. *Strengthening of physical education training institutes*

Under this scheme grants are given to the state governments and other private physical education training institutions.

4. *Seminars on physical education*

5. *National Physical Efficiency Drive*

Apart from giving grants to the state governments, the Ministry of Education holds all-India competitions and gives awards and prizes.

6. *Promotion of research in special branches of physical education including yoga*

The activities of the centre described at 3 to 6 above are justified except those relating to seminars at the state or regional level or to the grant of direct financial assistance to private institutions. The responsibility for grants to private institutions should be decentralised to the state governments.

B—Centrally sponsored schemes

These are listed in *Annexure II*. A full description and discussion of each of these schemes may be seen in *Annexure VI*.

Aim:

The aim of all the centrally sponsored schemes administered by the Education Ministry is to raise the quality of school education throughout the country.

Reasons:

Qualitative deficiencies in school education and the urgent need to rectify them were pointed out by:—

- (i) the Mudaliar Commission on Secondary Education;
- (ii) a conference of Education Secretaries held in 1963;
- (iii) the mid-plan appraisal carried out in 1963; and
- (iv) the Education Commission (1964—66).

A number of schemes to improve the quality of school education were, therefore, evolved by the Education Ministry for urgent implementation.

The main reasons for classifying these schemes as centrally sponsored appear to be the following:—

- (i) improvement of the quality of school education throughout the country is apparently viewed by the Education Ministry as a national problem requiring a co-ordinated effort at the national level and immediate action through crash programmes. The Education Ministry, therefore, wants to ensure the acceptance and implementation of these schemes by 100 per cent central assistance and direct central guidance and supervision;
- (ii) in the existing patterns of central assistance for education plan schemes in the state sector there is no provision for 100 per cent central assistance; and
- (iii) in the state sector the experience of the Education Ministry indicates that
 - (a) the schemes in the state sector progress slowly due to the difficulties of the state governments in financial adjustments;
 - (b) the states financially sound lift more of matching assistance leaving other states further behind due to financial weakness; and
 - (c) during periods of financial stringency the schemes for qualitative improvement get squeezed out by the schemes for the extension of education.

None of the schemes has an experimental or pilot or inter-state character and there is no operational necessity for the centre to sponsor them. In Chapter VIII of the main report it has been recommended that the centrally sponsored category should be abolished. This is certainly an administratively feasible proposition here. The arrangements proposed in Section II of Volume I of the report, especially in Chapters VII and VIII, take care of the question of adherence to priorities in the total perspective.

The centrally sponsored sector gives a foothold to the Ministry in the subject which is wholly allocated to the states by the Constitution. Since the local needs of the states vary considerably, it will not be desirable to include in the centrally sponsored sector some programmes which may vary from state to state. There is no reason in making a departure in the case of school education from the main principles given in Section II of Volume I. All the centrally sponsored schemes for improving the quality of school education should, therefore, be transferred to the state sector. One alternative to the abolition of centrally sponsored sector will be to tie the central assistance available for programmes of crucial importance and national in character. Identification of such programmes will have the approval of the planning bodies at the highest level. For the rest, the states should be free to operate within the limits suggested in Section II of Volume I.

4.3 *Educational surveys (item viii of paragraph 3.1)*

The National Council of Educational Research and Training undertakes general surveys covering the entire field of education as well as general and specific surveys of various educational sectors for assessing (a) deficiencies in various fields, (b) progress of education in various sectors, (c) comparative educational advancement by various states, etc. The results of these surveys stimulate research for removing the deficiencies or overcoming other bottlenecks. Such surveys and educational research are very closely connected and should, therefore, continue with the central organisation conducting research in this field.

4.4 *Follow-up action on decisions taken at seminars, conferences, etc. (item ix of paragraph 3.1)*

As the Ministry of Education and the NCERT organise a number of seminars and conferences which are attended by educational experts and representatives from the state governments, follow-up action on the decisions or recommendations of these

conferences and seminars are naturally the responsibility of the Ministry of Education and should, therefore, remain with it.

4.5 Co-ordination with foreign governments and state governments for schemes involving foreign assistance (item x of paragraph 3.1)

Some foreign governments give financial and other assistance for advancement of school education in India. The Ministry of Education enters into the necessary agreements for such assistance and works out the details of the schemes in consultation with the state governments. This activity should remain with the Central Ministry.

4.6 Direct grants to institutions and scholarships to students for educational purposes (item xi of paragraph 3.1)

A—Assistance to educational organisations

The Ministry of Education gives direct grants to educational institutions on their applications received through the state governments concerned with their recommendations. These grants are given for developing the following types of activities:—

- (i) project of experimental or educationally significant nature;
- (ii) laboratories, libraries and audio-visual equipment;
- (iii) production of educational literature but excluding text-books;
- (iv) educational and vocational guidance and student welfare;
- (v) training and research programmes in social welfare work;
- (vi) refresher courses, seminars, workshops and conferences;
- (vii) educational exhibitions; and
- (viii) buildings.

These grants are apparently discretionary in nature and are intended for the development of educational facilities in the recipient institutions. No principle can be discovered to show why the Ministry, rather than the appropriate state government, should concern itself with them. Total plan provision for such grants in the Fourth Five Year Plan is Rs. 1.10 crores in so far as school education is concerned.

There is apparently no ground for the Ministry of Education to give direct financial assistance to individual voluntary

institutions situated in the states. The scheme should be decentralised. The centre may give guidelines for checking the eligibility for such assistance. There may be a suspicion that the states are not likely to give grants to public schools like the Rajghat School, but that is no reason why the Ministry should, for in these matters the settlement of priorities should be the prerogative of the state government.

B—Scholarships

(1) The Ministry of Education administers a merit scholarship scheme giving 200 scholarships to school students for admission to residential schools. These scholarships are given after holding an all-India examination and selecting the first 200 candidates on the results of the examination.

This scheme involves (a) holding an all-India examination (b) co-ordinating the admission of 200 students all over the country to a limited number of residential schools and (c) disbursement of scholarships to the students. (a) and (b) may continue to be a central responsibility. (c) above has two implications: (i) provision for money for scholarships and (ii) physical disbursement of money to students. The responsibility for physical disbursement of money may continue to be that of the central agency to avoid delay in payment, but the provision may be made by the states. In other words, the states may accept this scheme as their own and include it in their own plan. Only those states which are willing to pay for the scholarships should participate in the scheme while the centre should only be an administering agency on behalf of the states. Otherwise, it will amount to an imposition of central will through financial inducement.

(2) The Ministry of Education allocates funds to the state governments for scholarships to the children of elementary school teachers. Applications for such scholarships are received through the state governments in the National Scholarships Division of the Education Ministry which screens the applications and selects the candidates for such scholarships. The scholarships are disbursed by the state governments.

As the selection is not on an all-India basis, there is no reason for the Central Ministry to conduct a check over and above the state governments' recommendations for selecting the candidates for such scholarships. This activity is, therefore, redundant. Such scholarships may be given to the candidates by the state governments on the basis of their own selection without any reference to the Ministry of Education.

C—Financial assistance to

- (i) Dr. Graham's Home and Inter-state Board of Anglo-Indian Education; and
- (ii) Bal Bhavan and National Children's Museum.

Financial assistance to Dr. Graham's Home and the Board of Anglo-Indian Education was the constitutional responsibility of the Government of India till 1960. It is being continued as a national policy and is a justified activity of the Central Government.

Bal Bhavan and National Children's Museum were set up at the initiative of the Central Government. An autonomous body has been set up to administer these institutions which receives grants from the Education Ministry.

Maintenance of such institutions should not normally be a function of a Central Ministry. This one, however, is a model institution situated in a Union Territory. Pace-setting in the Union Territories should not only be permissible but desirable. The effort, however, should be to associate the Union Territory Administration with the scheme so that it can serve more realistically as a model. The Education Ministry may, therefore, continue to give direct financial assistance to these institutions.

4.7 *Miscellaneous statistical and parliament work (item xii of paragraph 3.1)*

There are some miscellaneous activities with which the Ministry is concerned, like preparing briefs for consultative committee meetings and obtaining statistical data for answering parliament questions. This is an inescapable responsibility of the Central Ministry.

4.8 *Training of teachers and instructors (item xiii of paragraph 3.1)*

On the recommendation of the Planning Commission the Ministry of Education has established four regional colleges of education for training teachers for multi-purpose and secondary schools. The administration of these colleges was subsequently transferred to the NCERT. The regional colleges are carrying out certain new experiments in the field of teacher education, particularly by conducting content-cum-methodology courses for the training of teachers in science, technology, commerce, agriculture and other vocational fields. The principal aim of the colleges is to try out, evaluate and demonstrate new approaches to teacher education, particularly for science and teaching vocational subjects at the secondary school stage. In addition, the colleges seek to establish new standards in teacher education and

in-service training as a guide or model on an all-India basis. None of the existing teacher training colleges in the country is carrying out these functions. The colleges are thus trying to break new ground in the training of science teachers and teachers for technical and vocational subjects through special programmes of content-cum-methodology courses and development of programmes of in-service training.

A large back-log of untrained teachers—about five lakhs in all—had created a major problem for the development of school education in the country. As it is impossible for the state governments to train this number of teachers through their own institutions, the NCERT conducts a number of long-term, short-term and correspondence training courses through these institutions as well as through some universities. The candidates for such courses are sponsored by the state governments and selected by the educational institutions concerned. Scholarships and stipends are awarded to the candidates as incentives.

According to the Entries 65 and 66 of List I attached to Schedule VII to the Constitution, the creation and maintenance of the union agencies for imparting professional training is the responsibility of the Central Government. In view of his impossibility of training the large number of untrained teachers in the country through the training institutions of the states, the NCERT may continue to conduct training courses through its four regional training colleges and other universities.

OTHER
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5. There are two other autonomous bodies, namely, the Central Schools Organisation and the Central Board of Secondary Education which are also involved in school education (functions at *Annexure VII*). The former is responsible for all matters relating to the central schools while the latter is responsible for raising the standard of secondary examination and holding such examinations at suitable places.

Direct administration of schools is squarely the function of the states. But the schools administered by the Central Schools Organisation are mainly intended as a much needed welfare measure for the children of transferable Central Government servants who faced considerable difficulties earlier due to

- (a) difficulty in getting admission to a school in the middle of an academic session when the Central Government servant was transferred from one state to another;
- (b) different syllabi followed in different states; and

- (c) different regional languages as media of instruction in different states.

The Central Schools Organisation is, therefore, serving a very useful purpose which no state government is in a position to serve. As a welfare activity it might have been appropriate for the Home Ministry, which is the ministry responsible for the welfare of the Central Government servants generally, to administer these schools. But as these schools also serve the children of the defence personnel whose welfare is the responsibility of the Defence Ministry and as the main emphasis in the administration of these schools is to keep the educational standard high, the involvement of the Education Ministry in their administration is not inappropriate.

These activities may remain with the institutions concerned.

CONCLUSIONS

6. Only the following categories of functions should be performed by the Education Ministry and the NCFRT for the development of school education in India:—

- (i) providing initiative and leadership to the states and serving as a clearing house of information;
- (ii) undertaking responsibility for drawing up the national plan for the development of education in close collaboration with the states;
- (iii) undertaking research at the national level for the development of education;
- (iv) undertaking training programmes of a foundational nature;
- (v) evaluating and checking the progress of plan activities through a watch on the progress of plan expenditure and inspections—not done fully at present;
- (vi) providing a forum and meeting ground for the state representatives for exchange of ideas on different subjects and for evolution of guidelines;
- (vii) evolution and administration of the following types of central schemes for the improvement of school and physical education:—
 - (a) schemes which are in the nature of pilot projects or experimental ventures which the state governments are not willing to undertake;
 - (b) schemes which cater to the needs of all the states or of a particular region comprising several states;

- (viii) undertaking general educational surveys;
- (ix) follow-up action on decisions taken at seminars, conferences, etc.;
- (x) co-ordination with foreign governments and state governments for educational schemes involving assistance or foreign exchange;
- (xi) giving direct grants to institutions in pursuance of constitutional responsibility;
- (xii) miscellaneous statistical and parliament work; and
- (xiii) training of teachers and instructors in inter-state institutions.

7. The acceptance of these recommendations would imply decentralisation of schemes and other activities estimated at Rs. 38.59 crores out of a total provision of Rs. 60 crores for central and centrally sponsored schemes in the Fourth Plan covered by this study. Details are indicated below: —

	Rs. (crores)
1. Central schemes in the field of school education ..	14.54
2. Centrally sponsored schemes for improvement of the quality of school education.	20.30
3. Assistance to voluntary educational institutions	1.10
4. Assistance to training institutions for physical education ..	1.32
5. Scholarships	1.33
Total ..	<u>38.59</u>

ORGANISATIONAL SET-UP OF THE BUREAU OF SCHOOL EDUCATION

Annexure I
(See paragraph 2)

Ministry of Education

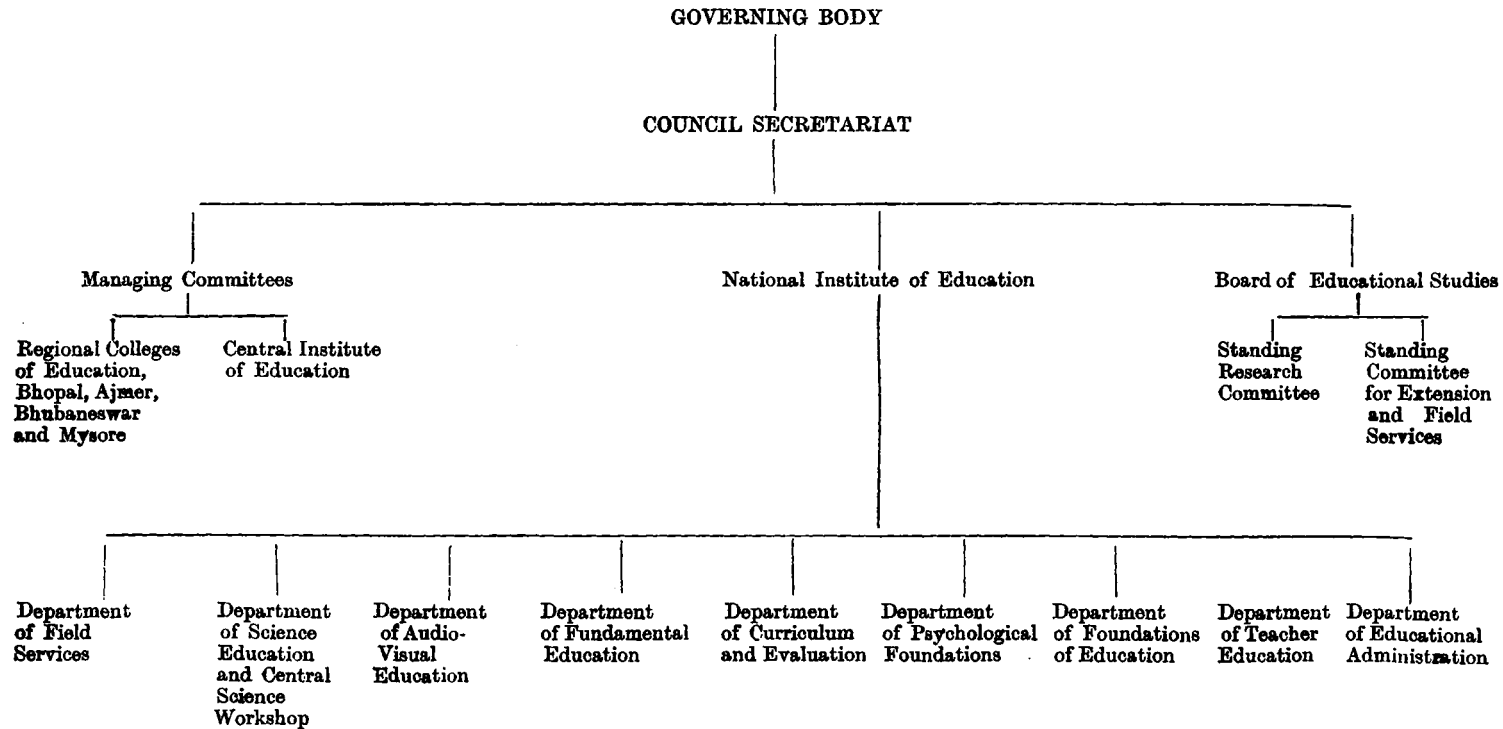
Bureau of School Education (BSE)

Joint Educational Adviser

Deputy Educational Adviser

Assistant Educational Adviser I	Assistant Educational Adviser II	Assistant Educational Adviser III	Education Officer
Section Officer (BSE I)	Section Officer (BSE II)	Section Officer (BSE III)	Section Officer (BSE IV)
1. Planning the schemes on school education.	1. General policy on schools.	1. Centrally sponsored schemes on elementary and secondary education.	1. Girls' education.
2. Annual plan.	2. Teachers' service conditions.	2. Organisation of national competition of children's literature and sahitya rachnalayas.	2. Grants to voluntary educational organisations for pre-primary, primary, basic, secondary and women's education.
3. Plan allocation.	3. Central Institute of English, Hyderabad.	3. Establishment of three printing presses gifted by the German Government.	3. Bal Bhavan.
4. Budget (plan and non-plan).	4. Teaching of English.	4. Receipt and distribution of printing paper and other items gifted by foreign governments.	4. Dr. Graham's Home grants.
5. Co-ordination of state plans.	5. Regional Institute of English.	5. Mid-day meals scheme—negotiations with foreign agencies and the state governments and formulation of policies.	5. Assistance from the Education Minister's discretionary grants.
6. UNICEF assisted science project for promotion of science education at the school stage.	6. Co-operation with the Departments of Community Development and Co-operation.	6. Policy and financing of the NCC—public, residential and central schools.	6. Schemes of loans for construction of hostels.
7. Training of teachers and improvement of training institutions.	7. Medium of instruction and the language policy.	7. Co-ordination of schools health programmes.	
	8. The constitutional directive on compulsory education.		

ORGANISATIONAL SET-UP OF THE NATIONAL COUNCIL OF EDUCATIONAL RESEARCH AND TRAINING



Annexure II
(See paragraphs 3.2 and 4.2)

School Education

List of central and centrally sponsored schemes falling under "school education" and "physical education"

Rs. (crores)

A CENTRAL SCHEMES

I. Pre-primary education

Pre-education	0.50
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II. Elementary education (*Training of Teachers*)

1. Improvement	1.00
2. In-service training courses	2.00
3. Improvement of science	1.30
4. Work orientation in middle schools	0.10
5. Preparation and supply of text-books	1.00
6. Other schemes (State Institutes of Education, etc.)	1.50

III. Secondary Education

1. Correspondence courses	0.50
2. Full-time training of teachers	8.00
3. Training of teachers through correspondence courses	2.00
4. Improvement programmes of training	3.00
5. Vocational education at the secondary stage, technical schools, multi-purpose schools, agricultural schools, etc.	2.50
6. Development of selected schools	7.00
7. Other schemes (e.g., Institute of English, Hyderabad, and assistance to other institutions)	1.50

IV. Educational research and training	6.00
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V. Physical education

1. National Fitness Corps Programme	1.20
2. Lakshmibai College of Physical Education, Gwalior	0.30
3. Strengthening of physical education training institutions	0.12
4. Seminars on physical education and recreation	0.02
5. National Physical Efficiency Drive	0.17
6. Promotion of research in special branches of physical education including yoga	0.08

Total	39.79
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Annexure II—concl'd.

B. CENTRALLY SPONSORED SCHEMES

1. Strengthening of science laboratories	7.50
2. Establishment of state institutes of science education	2.50
3. State education evaluation units	0.25
4. State institutes of education	1.50
5. Establishment of bureaux of educational and vocational guidance	0.75
6. Training of elementary school teachers through correspondence courses	6.00
7. Other programmes	1.80
	<hr/>
Total	20.30
	<hr/>
Grand Total (A + B)	60.09
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Annexure III

(See paragraphs 3.2 and 4.1.4)

School Education*Activities undertaken by the Ministry of Education and the NCERT in the field of school education***I. Providing initiative and leadership to the states and serving as a clearing house of information**

The following items *inter alia* are covered by this item:

1. Educational development of hill areas and tribal population.
2. Designing of school buildings.
3. Prize competition for children's literature.
4. Reconstruction of secondary education—examining of different patterns of education.

The Ministry renders technical advice and formulates policy on school education.

II. Undertaking responsibility for drawing up the national plan for development of education

1. Work relating to the formulation of the five year plans—collection, compilation, analysis and consolidation of the requisite data.
2. Work relating to the setting up of the working group on general education and their subgroups/committees, etc.
3. Preparation of the agenda and other papers for the meetings of the working group, committees and conferences convened by the Planning Unit and other Divisions and their follow-up work, collection of the requisite information and the final preparation of the report.

III. Undertaking research at the national level

The research programmes undertaken or completed by the NCERT during 1965-66 were:—

1. Scholastic aptitude tests in Hindi for Grades VIII and IX.
2. Evaluating criteria for inspection and supervision of secondary schools.
3. Curriculum and teaching of mathematics in higher secondary schools.
4. Study of elementary school teachers—analysis of the functions of elementary school teachers.

Annexure III—contd.

5. Study of the syllabi of agriculture as a craft in basic training schools with a view to evolving a model syllabus.
6. Investigation into the methods of teaching arithmetic in the first three grades of elementary schools in Delhi.
7. Analysis of basic schools syllabi.
8. Check list for assessment of basic schools.
9. Framing syllabi in arts and crafts.
10. Study of teaching of craft in teachers' training institutions.
11. Experimentation in clay modelling and pottery making.
12. Syllabi in social studies.
13. Problems of teaching English.
14. Study of administrative organisation of educational system in different states.
15. Comparative study of the constitution and functions of boards of secondary education.
16. Development of norms necessary for the preparation of curriculum and learning experiences suitable for Indian children of various ages.
17. Preparation of a sample frame of primary, middle and higher secondary schools in India.
18. Stabilisation of abilities and interests in Indian children.
19. Sociometric studies.
20. Validation of procedures for the selection of teacher trainees for the two-year basic training course.
21. Personality adjustment and learning in higher secondary schools.
22. Science education in teachers' training colleges.
23. Position of science education in elementary teachers' training institutions.
24. Analysis of B.Ed. syllabi.
25. Follow-up research programme in the field of examination reform in Rajasthan.
26. Improvement of internal assessment procedures.
27. Science and mathematics teaching project.
28. Model syllabus for elementary teacher education.
29. Developing easily portable and stockable furniture for secondary schools.
30. Preparation of model text-books and other instructional material.
31. Central science workshop.
32. Delhi schools improvement programme.
33. Workshops for the preparation of curriculum guides in certain crafts.

34. Experimental projects in schools.

35. Documentation centres.

IV. *Training programme of a foundational nature*

Central Institute of English, Hyderabad.

The Central Institute of English was established in 1958 by the Government of India (in co-operation with the Ford Foundation and the British Council) to improve the teaching of English in schools and colleges both through the organisation of research in the teaching of English and the training of teachers in suitable techniques. The Institute was registered as a society under the Societies Registration Act, 1860. The general superintendence, direction and control of its affairs vest in a governing body which is autonomous in character. The main functions of the Institute are:—

- (i) research in the techniques of English teaching;
- (ii) training of teachers of English; and
- (iii) co-ordination of English teaching programmes undertaken by various institutes and organisations in the country.

The Institute also renders financial assistance to the state and regional institutes.

The expenditure of the Central Institute of English is met out of the funds provided by (a) the Central Government and (b) the Ford Foundation. The Ford Foundation funds are spent on pay and allowances of the British experts, American linguists, research fellowships, stipends to trainees, supplies from abroad and on seminars.

A tentative provision of Rs. 40 lakhs has been made in the Fourth Plan for the Central Institute of English, Hyderabad.

V. *Evaluating and checking the progress of plan activities*

The quarterly expenditure statements of the central, centrally sponsored and state schemes are received in the Planning Unit of the Ministry of Education and reviewed to check the progress of these schemes. At present, proper evaluation of plan programmes is not done as the reviews of the progress of expenditure are (i) superficial and (ii) not supported by inspection and study at the places where the schemes are actually implemented.

VI. *Providing a forum and meeting ground for the state representatives for exchange of ideas*

The Ministry of Education and the NCERT organise the following conferences and seminars for bringing together educational experts and

Annexure III—contd.

representatives from the state governments to evolve realistic policies in the field of education:—

1. Meetings of the Central Advisory Board of Education.
2. Meetings of the National Council of Women's Education.
3. Seminars on compulsory primary education.
4. National seminars on elementary education.
5. Seminars on girls' education.
6. Meetings of the Education Secretaries of the state governments.
7. Conferences of the extension service departments of the state departments of education.
8. Half-yearly conferences of the state institutes of education.

VII. *See Annexure IV for detailed discussion.*

VIII. *Undertaking general educational surveys*

The NCERT conducts a number of general and specific educational surveys to determine the present stage of development of various sectors of school education and to locate imbalances and areas where further attention is needed. The second educational survey is being conducted under the NCERT. The objects of this survey are:—

- (a) to revise the data of the first educational survey held in 1957 and to collect data required for the preparation of district development plans for education;
- (b) to study the existing conditions of educational institutions in respect of staff, their qualifications, experience, age, enrolment, physical facilities in the form of buildings, libraries, laboratories and equipment, etc.; and
- (c) to conduct studies in a few industrially developing areas on man-power requirements and educational needs and demands and such other matters as pertain to human resources development and educational planning.

A number of other surveys have also been completed.

A provision of Rs. 7 lakhs has been made in the Fourth Plan.

IX. *Follow-up action on decisions taken at seminars, conferences, etc.*

1. All the follow-up action on decisions taken at a number of seminars and conferences organised by the Ministry and the NCERT is taken by the central agency.
2. Triple Benefit Scheme

The Triple Benefit Scheme aims at providing teachers of non-governmental institutions with pension, provident fund and compulsory insurance.

Annexure III—contd.

The Ministry is responsible for watching the progress made by the states in this direction through the various returns/reports received by it from the states.

3. The Three Language Formula

The Three Language Formula envisages the teaching of the following languages to school children: —

- (1) regional language and mother tongue when the latter is different from the regional language;
- (2) Hindi or in Hindi speaking areas, another modern Indian language; and
- (3) English or any other modern European language.

The Ministry of Education is responsible for the implementation of this formula, review of the progress made in this direction and other necessary follow-up action.

4. School Defence Corps Programme

The object of the scheme is to have a body of well-disciplined school children to participate in defence activities in times of national emergency.

The Ministry of Education supplies relevant literature and information to the state governments and is responsible for watching the implementation of this scheme.

5. School Health

The Ministry of Health holds meetings and seminars to consider the problems of health of school children. A representative of the Ministry of Education also attends. The decisions taken therein are conveyed to the state governments for implementation and progress reports are obtained.

X *Co-ordination with foreign governments and state governments for educational schemes involving foreign exchange/assistance*

Some foreign governments give financial and other assistance for advancement of school education in India. The Ministry of Education enters into the necessary agreements for such assistance and works out the details of the schemes in consultation with the state governments.

XI *Giving direct grants to institutions and scholarships to students for educational purposes*

1. Assistance to voluntary educational organisations

The scheme was started in the First Five Year Plan and continued with expanded scope in the Second and Third Five Year Plans. It has now been included in the Fourth Five Year Plan with further liberalisation of rules.

Annexure III—contd.

Under this scheme assistance is given for developing the following types of activities:—

- (i) projects of experimental or educationally significant nature;
- (ii) laboratories, libraries and audio-visual equipment;
- (iii) production of educational literature but excluding text-books;
- (iv) educational and vocational guidance and student welfare;
- (v) training and research programmes in social welfare work;
- (vi) refresher courses, seminars, workshops and conferences; and
- (vii) educational exhibitions.

Financial assistance is given on a sharing basis. The grant-in-aid from the Central Government is at the rate of 60 per cent, the remaining expenditure being borne by the state governments and/or the institutions/organisations concerned.

This is a central scheme and is operated by the Ministry of Education. Applications for assistance are received duly recommended by the state governments concerned and are scrutinised by the Education Ministry. If the assistance is admissible, a sanction letter is issued by the Ministry. A provision of Rs. 1.10 crores has been made in the Fourth Five Year Plan in so far as school education is concerned. Half the amount of expenditure is released in the first instance and the rest on receiving a certificate from the institution/organisation concerned that the work has been executed.

2. Inter-State Board for Anglo-Indian Education and Dr. Graham's Home, Kalimpong

The Inter-State Board for Anglo-Indian Education and Dr. Graham's Home, Kalimpong were given grants by the Ministry of Education under Article 337 of the Constitution up to January, 1960. Under the scope of the Article, the central grants should have been stopped after 1960. The grants were, however, later renewed to this institution on the recommendation of the Chief Ministers' Conference that financial assistance given by the state governments/Central Government should continue even after January, 1960, to avoid any hardship to them. It is considered that the grant thus given is just a token one and gives a feeling to the minority community organisations that the government is giving all necessary encouragement to them. It is a sort of moral commitment which should be honoured. The Ministry has accordingly been giving annual grants to the Inter-State Board and Dr. Graham's Home.

The Ministry of Education is responsible for taking all the necessary action for budget provision, issue of grants and all other connected matters.

Annexure III—contd.

3. Bal Bhavan and National Children's Museum

Bal Bhavan: At the instance of Pandit Jawaharlal Nehru, Bal Bhavan was set up in 1956. Bal Bhavan is a registered society and its activities are teaching of art, craft work, singing, dancing, scientific experiments, etc.

Children's Museum: Pandit Jawaharlal Nehru, in his letter dated 14-4-1956 to the Education Minister, suggested the setting up of a children's museum to exhibit dolls, paintings and other objects of interest to children.

4. Merit scholarships in residential schools

The objective of these scholarships is to extend the benefit of public school education to deserving children especially of the lower income group who would otherwise be unable to secure such advantage because of lack of funds.

200 scholarships are awarded and continued until the scholars complete their school leaving examination courses, provided they continue to make satisfactory progress.

Children between the age of 9 to 12 years are eligible for the scholarships. The value of the scholarships depends on the income of parents/guardians.

Preliminary selection is made by each state government and the names of candidates are sent to the Ministry of Education duly recommended. For selecting meritorious students an all-India examination is conducted by the National Scholarships Division and the result is announced in the papers. The names of candidates to be admitted in each residential school are communicated to the state governments and heads of the institutions. The amount of scholarships is remitted to the institutions for disbursement to the scholars.

The Ministry of Education maintains accounts of disbursement made by it to the scholarship holders through the educational institutions.

5. Scholarships to children of elementary school teachers

Under this scheme, applications are invited by the state governments and sent to the Ministry of Education which screens the applications, selects the candidates for the scholarships and forwards their names to the state governments. Scholarships are disbursed by the state governments concerned. Appropriate funds are allocated to the state governments by the centre for this purpose.

XII. *Miscellaneous statistical and parliament work*

There are some miscellaneous activities with which the Ministry is concerned like conditions of service, emoluments of primary school teachers, complaints about text-books, preparing briefs for consultative committee meetings and obtaining statistical data for answering parliament questions.

XIII. *Training of Teachers by the NCERT*

(1) Training through regional colleges of education

The Ministry of Education has established four regional colleges of education in the country for the training of teachers required for multi-purpose and secondary schools. This project was subsequently transferred to the NCERT.

The regional colleges are carrying out certain new experiments in the field of teacher education, particularly by conducting content-cum-methodology courses for the training of teachers in science, technology, commerce, agriculture and other vocational fields. The principal aim of the colleges is to try out, evaluate and demonstrate new approaches to teacher education particularly for science and teaching vocational subjects at the secondary school stage. In addition, the colleges seek to establish new standards in teacher education and in-service training as a guide or model on an all-India basis. None of the existing teacher training colleges in the country is carrying out these functions. The colleges are thus trying to break new ground in the training of science teachers and teachers for technical and vocational subjects through special programmes of content-cum-methodology courses and development of programmes of in-service training.

The colleges offer a wide range of courses in which subject training and training in pedagogy are integrated into a single process.

(2) Demonstration multi-purpose higher secondary schools

One demonstration school is attached to each of the four regional colleges of education.

(3) Other training programmes

- (i) Summer schools-cum-correspondence courses
- (ii) Central Institute of Education

The Central Institute of Education (CIE) is a department of the National Institute of Education which in turn is a part of the NCERT, an autonomous body. The Central Institute of Education is primarily a training institution in education. It is affiliated to the University of Delhi for the purpose of awarding degrees and doctorates to successful candidates.

It offers the following courses:

1. a post-graduate course in education leading to B.Ed. degree of the University of Delhi for day scholars;
2. a correspondence course leading to the B.Ed. degree for teachers in service in Delhi schools (University of Delhi);

Annexure III—concl.

3. an advanced course in education leading to the M.Ed. degree of the University of Delhi for day scholars;
4. a two-year part-time course leading to the M.Ed. degree for teachers in service; and
5. a research course in education leading to the Ph.D. degree of the University of Delhi.

Other activities of the CIE include training, workshop and seminars.

School Education

Evolution and administration of the central schemes for improvement of the quality of school education (item vii paragraph 3.1)

A. Central schemes

1. Pre-school education

A provision of Rs. 2 crores has been made for pre-school education—Rs. 0.50 crores in the central sector and Rs. 1.50 crores in the state sector. The provision in the central sector has been placed at the disposal of the NCERT and is intended to be mainly utilised for the following purposes:—

- (a) conducting training courses for teachers' education in the field of pre-primary education;
- (b) conducting research in the problems of pre-primary education; and
- (c) producing literature and material which provides models for pre-primary schools and training institutions in the country.

In order to fulfil these objectives, teachers of pre-primary schools and training institutions have to be carefully trained, curricula for them are to be drawn up, equipment has to be designed and parental involvement is to be secured. Research studies have to be taken up on the developmental pattern of the children. Machinery has to be set up for effective guidance and supervision of the pre-primary schools and training colleges.

The Ministry of Education is concerned with the following:—

- (i) laying down of minimum standards for institutions imparting pre-primary education;
- (ii) carrying out research in child development; and
- (iii) assisting experimentation and building up model pre-primary schools.

The Department of Social Welfare on the other hand would (i) mobilise voluntary effort for promotion of pre-primary education and other services required for the development of the age group 0—6; (ii) extend financial assistance for the appointment of trained staff, purchase of equipment and provision of supplementary nutrition in these schools/institutions; (iii) draw upon the advice of educational experts on the evolution and maintenance of minimum standards of pre-primary education and in general (iv) co-ordinate its activities with the other concerned programmes of social services.

Annexure IV—contd.

It has been agreed that all action will be taken by the Department of Social Welfare. The Ministry of Education have nominated a representative on the Committee on Child Welfare set up by that Department.

Conclusion

Administration and control of institutions imparting pre-school education are the responsibility of the state governments. The state governments are also responsible for assisting private institutions through grants-in-aid, if needed, as also providing necessary supervision and guidance. The Central Government may only perform the functions of a clearing house, collate the results of research as also produce any literature which may be beneficial to the states. The remaining aspects of the scheme may be decentralised.

2. Improvement of teachers' training institutions of elementary education

The object of this scheme is to improve the physical facilities of teachers' training institutions at the elementary stage in the country. In particular, the scheme aims at improving laboratory, library and hostel facilities. Funds will also be given for audio-visual aids and craftsheds. In the Fourth Plan, a sum of Rs. 14 crores has been provided for this scheme—Rs. 1 crore in the central sector and Rs. 13 crores in the state sector. The funds provided in the central sector will be utilised for providing, in order of priority, laboratory, library, audio-visual aids and hostel facilities while those in the state sector will be utilised for increasing the staff of the institutions wherever necessary and for upgrading qualifications and emoluments of the staff, etc. About 680 colleges will be selected for development. Norms would be laid down in respect of each of the physical facilities in relation to the enrolment in the training institutions. The deficiency of each institution selected under the scheme will be assessed in the light of these norms.

Conclusion

As it is, the funds provided in the central sector will be utilised for providing some physical facilities to the teachers' training institutes. This is the responsibility of the state governments and the funds for providing these facilities must come from the state plans. The state governments may, therefore, take over this part of the scheme also.

3. Scheme for the reorganisation and expansion of the teaching of science to students throughout the school stage in India

The increasing importance of science has created pressing educational demands. 'Scientific literacy' is becoming essential for all citizens who wish to understand the world they live and work in and to participate intelligently in their future. This requires that all students should be enabled to study science for as long a period as possible during the school stage and that they should be prepared to work with increasingly sophisticated scientific ideas and techniques.

Annexure IV—contd.

Some time back the UNICEF offered to provide assistance for a scheme for strengthening the teaching of science in the schools. After considering this proposal of the UNICEF, the Government of India in the Ministry of Education has formulated a comprehensive scheme for the strengthening and reorganising the teaching of science throughout the school stage in the Indian schools. The scheme attempts to present a comprehensive programme by drawing on different schemes which are already included in the plan outlay for the Fourth Five Year Plan. A provision of Rs. 16 crores has been made in the Fourth Five Year Plan under 'improvement of science' of which Rs. 14.70 crores will be in the state sector and Rs. 1.30 crores in the central sector.

The governing board of the UNICEF has already approved assistance to this scheme to the tune of U.S. \$ 21,82,000 for meeting 50 per cent of the cost of supply of science equipment to the key training institutions and re-imbursement of 50 per cent of the expenditure required for the training of the science educators of the institutions. This assistance is for the first two years of the scheme out of which a sum of U.S. \$ 8,00,000 has been sanctioned. The UNICEF has indicated that it would assist the implementation of the scheme further to a total sum of U.S. \$10 million after evaluating the progress of the scheme.

The main features of the new scheme will be :

- (1) development of new syllabi for classes I—X;
- (2) development of new instructional materials;
- (3) training of science educators and science teachers at different levels;
- (4) equipment of all institutions with necessary science materials;
- (5) introduction of a programme of teaching science at the primary stage through mobile vans; and
- (6) introduction of the revised syllabi and instructional materials in the schools.

The amount of expenditure in respect of individual items of the scheme would be provided from the following sources:—

Serial No.	Items of expenditure	Amount to be utilised			UNICEF share
		Central sector	Centrally sponsored sector	State sector	
1	2	3	4	5	6
		%	%	%	%
1.	Staff salary for the preparation of syllabi, text materials, etc.	100	..	..	..
2.	Contingencies, printing and publication of the above materials as trial edition in English for the use of the states	100	..	..	..

Annexure IV—contd.

1	2	3	4	5	6
3.	Supply of equipment to state institutes of education, state institutes of science, training colleges and training schools .. ..	..	50	..	50
4.	Supply of equipment to schools .. ..	..	50	..	50
5.	Supply of mobile vans and other accessories .. ..	..	..	..	100
6.	Manufacture of kits etc.	36	35	..	29
7.	Salary of mobile van staff .. ..	..	..	100	..
8.	Training of key personnel .. ..	..	50	..	50
9.	Training of method masters of training schools .. ..	..	50	..	50
10.	Training of teachers of selected secondary schools .. ..	..	50	..	50
11.	Training of primary and middle school teachers .. ..	..	50	..	50
12.	Supply of text-books .. ..	..	..	100	..
13.	Translation of text-books into regional languages .. ..	..	100	..	..

It will thus be seen that the direct involvement of the Central Government will be limited to the preparation of syllabi, text material, publications and partly the manufacture of kits. The rest of the expenditure will be met from UNICEF assistance and funds provided in the centrally sponsored and state sectors.

The scheme will be implemented in four phases. The work on these four major areas is already being done or proposed to be done during the Fourth Plan period. This is an educational scheme designed to meet personnel demands for providing science education of better quality to the largest possible number of students reading in the schools. The approach will help in establishing uniform standards of science teaching in all subjects, and will be able to lay national standards in this subject at different stages of school education.

Conclusion

The scheme may be operative as a central scheme until all the four phases are completed. Thereafter, the states may take up the programme on their own. The central agency will, however, continue to provide leadership and technical guidance, wherever necessary.

4. Preparation and supply of text books

The Federal Republic of Germany has offered as gift three printing presses to the Government of India. In consultation with the state governments it was decided that these presses would be located at Mysore, Bhubaneswar and Chandigarh for printing of school books and other educational

Annexure IV—contd.

literature. Land in all cases would be provided by the state governments free of cost.

These presses will be under the administrative and technical control of the Chief Controller of Printing and Stationery. This office would be responsible for printing books and distributing them according to the instructions of the Ministry of Education. The Ministry of Education will undertake full responsibility for the preparation of manuscripts of the books to be published, for getting them prescribed and for their distribution and sale. The running cost of the presses is to be covered from the books printed and the work handled.

A total provision of Rs. 6 crores (Rs. 5 crores in the state sector and Rs. 1 crore in the central sector) has been made in the Fourth Plan for the preparation and supply of text-books.

The presses shall serve the educational policy of the Government of India by printing school text-books and other educational literature, like supplementary reading books for children and reference books for teachers, etc.

Conclusion

In so far as the literature at the level of children is concerned, the printing work can be decentralised to the states, *i.e.*, the states can draw upon the services of these regional presses, if they so desire, by making the necessary payment. The centre may retain only the function of preparing model books for children.

5. Other schemes: Sahitya Rachnalayas

With a view to training authors, writers and teachers in the techniques of preparing books for children, the Government of India have been organising sahitya rachnalayas (literature workshops) since 1955-56. The purpose of sahitya rachnalayas is to bring together persons who have already earned some reputation as authors and to give them a short reorientation course to enable them to write for children. In view of the usefulness of the scheme it is proposed to organise 25 rachnalayas during the Fourth Five Year Plan period at the rate of 5 rachnalayas per year. The scheme is a central scheme. The total outlay in the Fourth Five Year Plan on this scheme is Rs. 4 lakhs.

Conclusion

It is a very useful scheme but it is not understood why the Central Government should undertake this activity for which the state governments are primarily responsible. Except for literary workshops which have an all-India significance or inter-state ramifications, the other workshops should be the responsibility of the state governments.

6. Correspondence courses for students of secondary stage

The aim of this scheme is to provide facilities of secondary education to such employed and other persons who are normally deprived of formal education in schools. This scheme will also cater to the needs of students in remote areas where no educational facilities are available.

The main features of the scheme are:

- (a) the standard of examination for the correspondence students will be the same as for the regular candidates taking the high school or higher secondary examinations;
- (b) the fees charged from the correspondence students will be less than those charged from the regular students;
- (c) the correspondence courses will be conducted in Hindi, English or the regional languages;
- (d) the duration of the correspondence courses will be one year more than the duration of the corresponding courses in schools;
- (e) the centre for correspondence courses will employ: (i) teachers for preparing lessons, (ii) full-time or part-time employees for correcting the replies submitted by students and (iii) administrative and library staff;
- (f) the centre for correspondence courses will set up a multiple text-books library to provide reading material to the correspondence students;
- (g) personal contact programmes will be arranged for the correspondence students in local schools;
- (h) the cost of tuition through correspondence is expected to be Rs. 50 per pupil per annum; and
- (i) the cost of the scheme will be met entirely by the Central Government.

A sum of Rs. 0.50 crore has been provided in the central sector in the Fourth Plan. This provision will be utilised for giving grants to the agencies conducting correspondence courses to enable them to meet the deficit for organising the courses.

Conclusion

The scheme is of the nature which can be decentralised to the states without any difficulty.

7. Training of secondary school teachers through correspondence courses

The expansion of secondary education during the three plans has been so rapid that the supply of trained teachers has not kept pace with the demand. There was a back-log of about one lakh untrained secondary

Annexure IV—contd.

teachers at the end of the Third Plan. This scheme aims at setting up departments for correspondence courses in two universities, *viz.*, Baroda and Calcutta to start with, and if the scheme proves popular it will be extended to other universities.

The main features of the scheme are:

- (a) the university concerned will conduct the training courses through a department of correspondence courses to be set up for this purpose;
- (b) experienced trainers will be appointed for lesson writing and the preparation of courses. Practical work to trainees will be imparted under the supervision of senior experienced teachers. Other practical work, *viz.*, craft project, laboratory work for science students, psychology practicals, etc., will be taught by attaching the trainees to the nearest training colleges. The centres will have laboratories and facilities for the organisation of craft work;
- (c) the duration of the correspondence courses will be 15 months instead of 9 months as prescribed for the regular students; and
- (d) a tuition fee of Rs. 100 per trainee will be charged from the correspondence students.

A provision of Rs. 2.00 crores has been made in the Fourth Five Year Plan. Apart from this, the NCERT will utilise a part of the provision for this scheme for correspondence courses-cum-summer-institutes in the Central Institute of Education, Delhi, and in the four regional colleges of education.

Conclusion

The Central Government is administering the scheme as an experimental central project. It is legitimate, therefore, for the centre to handle it. When this project is successful and similar courses are organised through the universities in all the other states, this scheme may be transferred to the state sector.

8. Improvement of secondary teachers' training colleges

There are about 240 training colleges for graduate secondary teachers in the country. A large number of these lack the necessary facilities in respect of laboratories, libraries, audio-visual aids, etc. Most of these training colleges are managed by private organisations which do not, by and large, provide the minimum facilities required for the efficient functioning of these institutions. A sum of Rs. 3 crores has been provided in the central sector in the Fourth Five Year Plan.

Object of the scheme

The object of this scheme is to improve the physical facilities of secondary training colleges in the country. In particular, the scheme aims at improving laboratory, library, workshop, hostel facilities and audio-visual aids in various teachers' training colleges.

Annexure IV—contd.

The main features of the scheme are:

- (i) in the Fourth Plan about 150 secondary teachers' training colleges will be selected for development at an average cost of Rs. 2 lakhs each. The Central Government grant will be utilised for providing various physical facilities in the colleges; and
- (ii) norms would be laid down in respect of each of the physical facilities in relation to the enrolment in the training institutions. The deficiencies of each institution selected under the scheme will be assessed in the light of these norms.

Conclusion

The NCERT is already conducting training courses through its four regional colleges which may continue to be operated by it. The scheme, as formulated, aims at providing physical facilities to about 150 selected secondary teachers' training colleges which are spread over a large area. It will, therefore, be useful if the scheme is decentralised. Even otherwise, teachers' training is treated as a state subject. The norms for selection of institutes may be laid down by the centre, if considered necessary.

9. Vocational education at the secondary stage—technical schools and multi-purpose schools

The Mudaliar Commission recommended the establishment of multi-purpose schools providing for the teaching of practical subjects such as agriculture, commerce, fine arts, home science and technical subjects. For those students who are not able to pursue higher studies, these courses are designed to serve as a preparation for entering a vocation.

During the Fourth Plan period it is proposed to strengthen as many multi-purpose courses as possible, by providing minimum necessary equipment, tools and land required to bring the multi-purpose courses to a reasonable level of efficiency. The object is to strengthen the courses already taught. A sum of Rs. 2.50 crores has been provided in the Fourth Five Year Plan for this scheme.

Conclusion

The scheme should be transferred to the state governments and necessary facilities should be provided by them.

10. Development of selected schools

On the express recommendation made at the time of the mid-Plan appraisal, the Ministry of Education decided to provide better educational facilities to talented children in good institutions, selected for the purpose. The main improvements which are intended to be brought about in these selected schools are similar to those included in the central schools scheme, with this difference, that while the central schools scheme will cater mainly to the needs of children of transferable Central Government employees, the scheme of selected schools for talented children will cater mainly to the

Annexure IV—concl'd.

needs of talented children in the selected areas. It has been decided to entrust this scheme to the Central Schools Organisation.

The following improvements would be aimed at in the selected schools:

- (a) better teachers;
- (b) better teacher-pupil ratio;
- (c) well-equipped laboratories/workshops;
- (d) efficient library service;
- (e) facilities for diversification, co-curricular activities and physical education; and
- (f) hostel facilities.

A provision of Rs. 7 crores has been made for this scheme in the Fourth Plan.

Conclusion

The scheme aims at providing facilities to selected schools in the states. This is a conflicting area of activities which could best be handled by the state governments. Moreover, the consideration of imparting education in regional languages would necessitate its implementation under the aegis of the state governments. This scheme is not an experimental venture capable of being eventually adopted by the states but requiring central involvement initially. The states must, therefore, handle this scheme. However, if the scheme is considered to be of crucial importance, the assistance for it can be tied.

11. The NCERT is concerned with a number of educational research and training programmes in the sphere of school education for which the Central Ministry has included a provision of Rs. 6 crores in the Fourth Plan for giving grants to the Council. The Ministry of Education has, in addition, entrusted the Council with the implementation of various central schemes. It has not been possible to examine and make any concrete recommendations for the schemes of the NCERT and also for the following schemes as the details have not yet been worked out and approved:

- | | |
|---|-----------------|
| (i) in-service training courses for training of teachers in the field of elementary education | Rs. 2.00 crores |
| (ii) work orientation in middle schools ... | Rs. 0.10 crore |
| (iii) full-time training of teachers in the field of secondary education | Rs. 8.00 crores |

It will take some time before the schemes are drawn up and approved by the National Council/Education Ministry. However, before these schemes are taken up by the NCERT, the Education Ministry should examine them in the light of the principles outlined in Chapter XI of Volume I of the report and effect decentralisation to the states in the light of those principles.

School Education

Physical education schemes (Item vii, paragraph 3.1)

1. National Fitness Corps

The object of the scheme is to cover all students in the middle, high and higher secondary schools in the country under an 'Integrated Programme of Physical Education' since named National Fitness Corps (NFC)—woven into the fabric of the education system in the context of the recommendations made by the Kunzru Committee. The NFC programme as per the decision taken in consultation with the state governments is to replace the existing programmes of physical education, National Discipline Scheme (NDS) and Auxiliary Cadet Corps (ACC). In pursuance of this decision, from the academic session 1965-66, the NFC programme has been introduced in the middle, high and higher secondary schools in a phased manner as one of the compulsory curricular activities—the high and higher secondary schools being taken up first and the middle schools gradually brought under the programme during the Fourth Plan period.

A total allocation of Rs. 220 lakhs has been earmarked for the NFC programme for the Fourth Plan period. Out of this, Rs. 120 lakhs have been allocated in the central sector with a corresponding provision of Rs. 100 lakhs under the state sector. The allocation of Rs. 100 lakhs placed under the state sector will cover expenditure on the reorientation training of over 60,000 selected subject teachers from the middle schools. It may be added that the coverage of the middle schools (with an enrolment of less than 250) under the NFC programme has to be achieved by utilising the services of selected subject-teachers from the middle schools who have a flair for this work by redistributing their academic work amongst the rest of the teachers.

The allocation of Rs. 120 lakhs under the central sector is proposed to be utilised for the following items of expenditure:—

(i) reorientation training of the in-service teachers/ NDS instructors/physical education teachers/ ACC teachers	Rs. 25 lakhs
(ii) payment of honorarium to the ACC teachers utilised for the implementation of NFC pro- gramme	Rs. 15 lakhs
(iii) strengthening of the central training institutes of the NFC Directorate	Rs. 30 lakhs
(iv) expenditure on training cost of the teachers at the central training institutes	Rs. 25 lakhs
(v) strengthening of the central NFC Directorate and/or states' supervisory set-up	Rs. 25 lakhs
	<u>Rs. 120 lakhs</u>

2. Lakshmibai College of Physical Education, Gwalior

The Lakshmibai College of Physical Education, a co-educational institution, was set up by the Government of India at Gwalior in 1957, as a national institution to provide a three-year degree course at the under-graduate level and also to develop post-graduate studies and research in physical education and recreation. When fully developed, the college will have an annual intake capacity of 100 for the under-graduate course and 50 for the post-graduate course. The college has so far turned out 179 graduate and 5 post-graduate teachers of physical education. The deficit of the college, both recurring and non-recurring is met by the Government of India on a cent per cent basis.

Till recently the college was being administered by an autonomous Board of Governors exclusively set up for the purpose. However, in order to achieve a better co-ordination and liaison between the Lakshmibai College of Physical Education (Gwalior) and the National Institute of Sports (Patiala), the Government of India have set up a society for the administration of the central institutes in the field of physical education and sports. The existing separate societies administering the two institutions have been merged into the new society. The development programme of the college during the Fourth Plan period is estimated to involve a total expenditure of Rs. 30 lakhs.

3. Strengthening of physical education training institutes

The object of the scheme is to assist physical education training institutions through non-recurring grants up to 75 per cent for the improvement and/or development of their training facilities, *i.e.*, development of playgrounds, construction of gymnasiums, swimming pools, hostels, administrative blocks and purchase of library books and equipment. (An allocation of Rs. 12 lakhs has been made for the purpose in the central sector and an allocation of Rs. 20 lakhs has also been recommended for the state sector).

4. Seminars on physical education

The object of the scheme, which was initiated during the Second Five Year Plan, is to organise all-India seminars with a view to providing an opportunity to the workers and experts in the field of physical education and recreation, etc., to come together to exchange views and share experiences on important problems pertaining to their profession.

The scheme further provides for organising "follow-up seminars" at the state and/or regional level with assistance from the Government of India. The expenditure on the all-India seminars will be met by the Government of India on a cent per cent basis.

The scheme is to be continued during the Fourth Plan and 10 all-India seminars and 50 follow-up seminars are proposed to be organised. The scope of the scheme is proposed to be extended so as to bring within its purview seminars of headmasters of schools and principals of academic colleges in

Annexure V—concl'd.

order to explain to them the correct concept of physical education and recreation.

The scheme is expected to involve a total expenditure of Rs. 3.5 lakhs. Out of this, an allocation of Rs. 1.5 lakhs has been made in the central sector and the remaining Rs. 2 lakhs in the state sector.

5. National Physical Efficiency Drive

The object of the scheme which was initiated during the Second Plan period, is to awaken general awareness of the need and value of physical fitness and to arouse enthusiasm of the people for higher standards of physical efficiency and achievement. The scheme is based on precise and carefully graded physical fitness tests which are carried out in the testing centres located all over the country. The scheme also provides for national awards which are given to persons who reveal proficiency of a very high order in all-India competitions organised every year.

During the Fourth Plan period no grants will be sanctioned by the Central Government and the expenditure will be met by the state governments/Union Territories out of their own state plans.

An allocation of Rs. 20 lakhs for the scheme has been recommended for inclusion in the state sector of the Fourth Plan. No contribution will be made by the Central Government in this behalf. The Central Government will continue to incur the direct expenditure on the scheme as hitherto for the supply of star-pins, grant of national awards, etc., and an allocation of Rs. 17 lakhs for this purpose has been provided for in the central sector. The total expenditure on the scheme during the Fourth Plan is, therefore, estimated at Rs. 37 lakhs. By the end of the Fourth Plan period a participation target of 50 lakhs is likely to be reached.

6. Promotion of research in special branches of physical education including yoga

Under this scheme, the following sub-schemes, which were initiated during the Second Plan period, are proposed to be continued with an overall allocation of Rs. 8 lakhs:—

- (a) Promotion of yoga: The scheme provides for assistance to yoga institutions of an all India character for promotion of research and teacher training activities.
- (b) Promotion of research in physical education: The scheme provides for extending assistance to physical education training institutions for taking up research/study projects approved by the Central Advisory Board of Physical Education and Recreation.
- (c) Preparation of popular literature: The scheme provides for assistance for preparing popular literature on the basis of the recommendations made by the Popular Literature Sub-Committee of the Central Advisory Board of Physical Education.

Annexure VI

(See paragraphs 3.2 and 4.2)

School Education

Centrally sponsored schemes for improvement of the quality of school education (Item vii, Paragraph 3.1)

1. Improvement of secondary education

(i) Strengthening of science laboratories

The scheme was started with the object of strengthening science laboratories of schools to enable them to function more effectively while imparting practical instructions to students. The scheme covers all schools teaching science subjects at the level beyond the elementary stage. A provision of Rs. 750 lakhs has been made in the Fourth Plan.

(ii) Establishment of state institutes of science education

State institutes of science education are intended to serve as the technical arm of the Directorate of Education and the state boards of secondary education and to promote and improve the teaching of science in schools at all stages. Its functions include construction of science curriculum, preparation of text-books and designing and organising in-service training courses for science teachers. The provision for this scheme in the Fourth Five Year Plan is Rs. 250 lakhs.

2. State education evaluation units

This scheme was evolved as a result of the recommendations made by the Secondary Education Commission (Mudaliar Commission) and the University Grants Commission relating to reforms in the examination system. It was introduced in 1962-63 with the primary objective of ensuring reforms in the examination system. Other goals of the scheme are to identify and define the specific educational objectives underlying the various school subjects, to participate in variout activities in schools and to correlate the curriculum to these objectives. It is proposed to strengthen the existing staff in the units and to organise seminars, workshops and orientation courses, etc.

A provision of Rs. 25 lakhs is included in the Fourth Five Year Plan for this scheme.

3. State institutes of education

The U.S. Government has agreed to provide funds for all schemes relating to the improvement of elementary education. The scheme was initiated in 1963-64 with the following objectives:—

1. improvement of education in elementary schools;
2. improvement of elementary teacher education;

Annexure VI—contd.

3. improvement of supervision of elementary schools;
4. production of literature for elementary schools and teachers;
5. training of inspecting and teaching staff; and
6. provision of extension service to all training institutions for elementary teachers.

There is a provision of Rs. 150 lakhs for this scheme in the Fourth Five Year Plan.

4. Establishment of bureaux of educational and vocational guidance

The scheme aims at providing guidance services to students. Each school is to be manned by a well-trained guidance counsellor/career master. This also involves training of teachers as career masters.

The scheme was initiated in the beginning of the Third Five Year Plan. Bureaux have been established in most of the states. In all 2670 schools were covered by this programme during the Third Five Year Plan period. It is proposed to train 2200 career masters per year. The programme can be divided into the following two parts:—

- (a) school guidance programme
 - (i) appointment of guidance counsellors; and
 - (ii) training of career masters.
- (b) strengthening of the existing state bureaux and establishing new ones.

There is a provision of Rs. 75 lakhs for the scheme in the Fourth Five Year Plan.

5. Training of elementary school teachers through correspondence courses

The expansion of elementary education during the three plans has been so rapid that the supply of trained teachers has not kept pace with the demand. There is a back-log of about 4 lakh untrained elementary teachers. The present scheme aims at setting up centres for correspondence courses in the states where the number of untrained teachers is fairly large.

The main features of the scheme are:—

- (a) the state institutes of education will be in overall charge of conducting the training courses through correspondence. A separate department will be attached to these institutions for this purpose;
- (b) experienced teachers and educators will be appointed for lesson writing and preparation of courses;
- (c) the duration of the correspondence courses for teachers will be one term more than the normal duration for regular students;

Annexure VI—concl'd.

- (d) no tuition fees will be charged from these trainees; and
- (e) the Department of Correspondence Courses will have a good library. Text-books and reading materials will be supplied regularly to the students.

A provision of Rs. 6 crores has been made for this scheme in the Fourth Five Year Plan.

6. Other programmes

A provision of Rs. 180 lakhs has been earmarked for 'improvement of schools—other programmes in the centrally sponsored sector. The details are yet to be finalised.

School Education

Autonomous bodies

1. Central Board of Secondary Education

The Central Board of Secondary Education is responsible for raising the standard of secondary education, making its services available to various educational institutions in the country and meeting the educational needs of those students who have to move from state to state.

The Educational Adviser to the Government of India is the controlling authority of the Board.

The objects, constitution, functions, etc., of the Board are as under:—

1. The Board shall conduct examination at the secondary stage of education and such other examinations as it may consider fit, subject to the approval of the controlling authority or as it may be called upon to conduct by the Government of India, Ministry of Education and do such acts ancillary to the object as may be necessary.

2. The services of the Board may be availed of by any educational institution in India or outside, which wishes to prepare candidates for the examinations conducted by the Board, and the Board shall have the power to recognise such an institution for the purpose of its examinations.

3. The Board conducts the following examinations:—

- (a) Higher Secondary Examination in Delhi Scheme.
- (b) Higher Secondary (multi-purpose) Examination in Delhi Scheme.
- (c) Higher Secondary Technical Examination in Delhi Scheme.
- (d) Higher Secondary Agriculture Examination in Delhi Scheme.
- (e) All-India Higher Secondary Examination.
- (f) Ratna (proficiency in Hindi), Bhushan (high proficiency in Hindi), and Prabhakar (honours in Hindi) Examinations.
- (g) Such other examinations as the Board may from time to time prescribe.

2. Central Schools Organisation

1. The Central Schools Organisation was registered on the 15th of December, 1965, as a society under the Societies Registration Act, 1860.

Annexure VII—concl'd.

2. The principal object of the Organisation is to administer the central schools scheme started by the Government of India, Ministry of Education. In pursuance of the recommendation of the Second Pay Commission, it was decided that the Central Government should encourage the growth of secondary schools with a common syllabus and medium of instruction for the benefit of the children of the Central Government employees liable to frequent transfers, as well as other floating population in the country.

3. The Education Secretary to the Government of India is the Chairman of the Organisation and its members include senior officers of the Ministries of Home Affairs, Defence, Works, Housing and Supply and Finance, as well as distinguished educationists, including representatives of the Central Board of Secondary Education, the National Council of Educational Research and Training and the state governments.

4. The main features of the scheme are:—

- (i) locations for establishing these schools are chosen on the basis of concentration of defence personnel, other transferable Central Government employees, and floating population;
- (ii) the schools cater, in order of priority, to the educational needs of the children of transferable Central Government employees including defence personnel, personnel of all-India services and other floating population. They are, however, not run exclusively for the Central Government employees. There is a fair proportion of other eligible categories also;
- (iii) instructions are imparted through the media of Hindi and English in these schools, the ultimate objective being to enable the pupils to achieve a reasonable measure of proficiency in both the languages. In the initial stage, they start with either Hindi or English medium;
- (iv) the schools prepare pupils for the all-India Higher Secondary Examination conducted by the Central Board of Secondary Education, New Delhi;
- (v) the schools are intended to be partly residential in character, so that parents who are transferred during a session or course may leave their children behind in the hostel;
- (vi) the schools are to be developed as quality schools with some of the good features of public schools, without unduly raising the cost of education; and
- (vii) the quality of teaching is kept reasonably high by an appropriate teacher-pupil ratio and by providing a suitable proportion of teachers with high qualifications.

